

# TOWN OF PALMER

---

FINANCIAL POLICIES | A COMMUNITY COMPACT CABINET INITIATIVE

JUNE 2017



**DLS**  
DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

**PREPARED BY:**

**DLS | Technical Assistance Bureau**  
100 Cambridge Street, Boston, MA 02114  
[www.mass.gov/dls](http://www.mass.gov/dls)



# DLS

DIVISION OF LOCAL SERVICES  
MA DEPARTMENT OF REVENUE

Michael J. Heffernan  
Commissioner of Revenue

Sean R. Cronin  
Senior Deputy Commissioner

June 8, 2017

Charlie Blanchard  
Town Manager  
Town Hall  
4417 Main Street  
Palmer, MA 01069

Dear Mr. Blanchard,

I am pleased to present the enclosed financial policies for the Town of Palmer as part of the Baker-Polito Administration's Community Compact Cabinet initiative. This collaborative program strives to create clear mutual standards, expectations, and accountability for both the state and municipalities. It is our hope that these policies provide useful guidance and consistency in Palmer's fiscal decisions, as together we seek to build better government for our citizens.

If you have any questions regarding the report, please contact Zack Blake, Technical Assistance Bureau Chief, at (617) 626-2358 or [blakez@dor.state.ma.us](mailto:blakez@dor.state.ma.us).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean R. Cronin".

Sean R. Cronin  
Senior Deputy Commissioner

*Supporting a Commonwealth of Communities*

mass.gov/DLS | P.O. Box 9569 Boston, MA 02114-9569 | (617) 626-2300



## INTRODUCTION

At the town council's request, the Division of Local Services (DLS) Technical Assistance Bureau (TAB) created a set of financial policies for the Town of Palmer. This project was a result of the Community Compact Cabinet (CCC) initiative ([www.mass.gov/ccc](http://www.mass.gov/ccc)), whose goal is to encourage best practices that promote efficiency, accountability, and transparency in municipal government. The adoption of formal financial policies provides instructive guidance and promotes consistency as local officials plan, direct, monitor, and protect municipal assets and resources.

Palmer is a Pioneer Valley community of 12,157 residents and a fiscal year 2017 budget of \$37.2 million. An elected, seven-member town council serves as its legislative body and appoints a town manager to provide executive oversight of fiscal and operational activities. There is also a finance department that consolidates accounting, treasury, collections, and assessing divisions and is headed up by a finance director serving a dual role as town accountant.

In requesting this CCC project, Palmer's local leaders recognized the important role policies play as financial controls. Fiscal planning policies, like those at the beginning of the attached manual, provide reasoned, consensus parameters to shape short- and long-term budget decisions. In doing so, they help mitigate the risk of developing structural imbalances and other negative trends while also providing a framework for sustaining and enhancing services. The latter half of the manual contains policies associated with key financial management operations. By laying out objectives, roles, and responsibilities, these policies promote accountability and foster efficient coordination while highlighting the activities that need adequate oversight and functional controls to safeguard against operational deficiencies.

Policies and procedures help sustain consistent budget practices and financial operations when there are turnovers in elected and appointed positions, conditions that Palmer has experienced often in the last five years. Although the manual does not contain procedures, each operational policy was carefully designed to convey the subject matter's integral objectives and minimal compliance standards. To their credit, the town manager and finance director previously created some financial policies and procedures. They and the town council have also followed informal budget practices that have served the town fairly well to this point. We reviewed these policies and practices and incorporated various aspects of them into the manual.

The selection of policies was primarily based on discussions that took place during a meeting in Palmer with the town council president, town manager, and finance director. The attendees

broadly concurred with the policy subjects TAB considers to be essential guidance, and therefore most of them are included. To help the town comply with the Office of Management and Budget's new, Omni Circular requirements, the manual contains relevant language in the grant management, antifraud, and procurement policies. However, full compliance will entail local decisions on the structure of the town's control environment, as well as more policies, and detailed internal control procedures. At this juncture, TAB is working to construct a generic Omni Circular blueprint for communities and will keep the town apprised of progress toward that end.

The town's independent audit firm, Scanlon & Associates, commented on Omni Circular requirements in its most recently completed management letter (FY2015) and may be able to provide further guidance on them. The same letter cited concerns with the town's reconciliation, revenue turnover, and year-end processing activities, which are all topics in the manual.

In fact, Palmer has had longstanding difficulties in closing the books at year-end, submitting reports to DLS, and getting its tax rate approved timely. We have been told that town council recently appropriated money to address two identified root causes: the lack of integration between the school and municipal financial systems and a chart of accounts needing revision. While correcting these will involve substantial time and effort, the reconciliations and year-end closing policies set time frame standards that applicable employees should be working towards, and as these projects progress, ultimately be held accountable for. As further guidance, in the appendix is a municipal calendar that lists procedural milestones in every month of the year.

Palmer's department of public works has a sewer division that runs a water treatment facility, but all water utilities in town are provided by four separate districts. Through a special act in 2004, Palmer established a special revenue fund for remittances from its sewer ratepayers. Users pay a flat rate since the town lacks water usage data for scaling sewer charges. Capital needs have been considered when budget decision makers reviewed and set rates in the past, but local officials expressed a desire to formalize the importance of a capital reserve in policy. We included sewer references in the capital planning and debt management policies but did not create a separate sewer policy. The town may want to consider establishing an enterprise fund for the sewer operation, subsequently revise its financial reserves policy, and formalize a policy to account for all the enterprise's indirect costs.

All the policies in the attached manual are presented for the review and approval of town council and other applicable local officials, but two will require specific actions by town council to be adopted as presented here. The tax enforcement policy includes a section on tax title payment agreements as an available avenue to increase revenue and potentially avoid foreclosure

procedures. However, Palmer would need to adopt an ordinance to implement this option. As sample language, we suggest:

#### **Chapter X: Payment Agreements for Properties in Tax Title**

- X.1.1 Pursuant to the provisions of M.G.L. c. 60, sec. 62A, the Treasurer will pursue and establish a written payment agreement with any person(s) entitled to redeem ownership of parcels taken by the Town for nonpayment of real estate taxes ("redeemer").
- X.1.2 Tax title categories eligible for payment agreements include [*specify criteria here, based on: amount owed, assessed property value, length of delinquency, and/or any other criteria*].
- X.1.3 At the start of the agreement, the redeemer shall pay 25 percent of the total amount due.
- X.1.4 The agreement's maximum term shall be five years.
- X.1.5 Full compliance with agreement terms will result in a waiver of [*local decision: choose a percent up to 50 percent*] of the tax title account's accrued interest.

In May 2014, Palmer created a trust fund for other postemployment benefits (OPEB) under [M.G.L. c. 32B, § 20](#), which allowed the town to create a reserve to finance its OPEB liability. However, the statute at that time did not meet OPEB trust fund guidelines established by the Governmental Accounting Standards Board (GASB), and it was therefore modified under Chapter 218 of the Acts of 2016 (the Municipal Modernization Act) effective November 7, 2016. To establish a GASB-compliant OPEB trust, town council must reaccept M.G.L. c. 32B, § 20. To make available the options required to meet the goals of an OPEB trust, town council must also authorize the prudent investor rule, as detailed under [M.G.L. c. 203C](#).

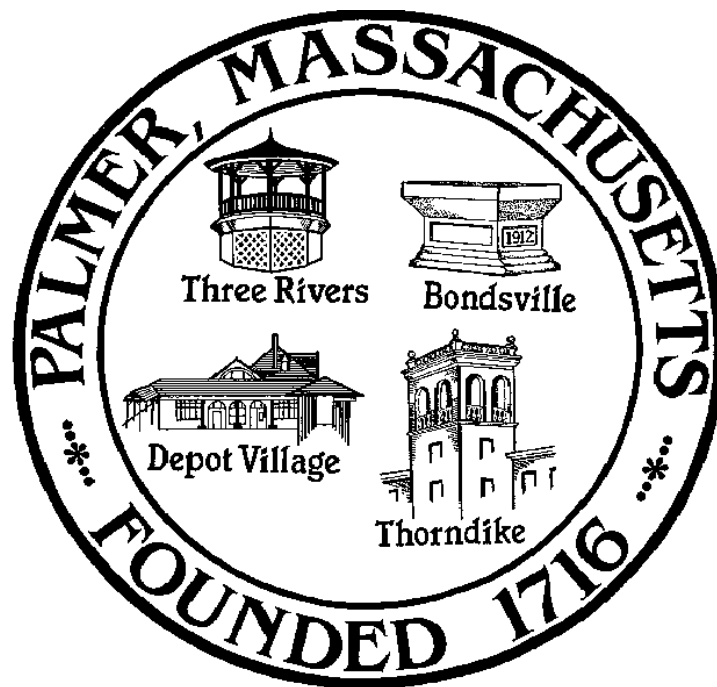
All the policies presented here should be considered living documents to be periodically reassessed and modified as conditions change. Incorporated in them are specific provisions local leaders need to consider and decide upon. An example taken from the reserves policy is: "The Town shall set a year-to-year goal of maintaining its free cash in the range of [three to five] percent of the annual budget." In each case, the draft policy has brackets around the decision point with the word(s) in the bracket representing TAB's suggestion based on researched best practices. In these cases, local officials should finalize the decisions and remove the brackets prior to adopting the policies.





# TOWN OF PALMER

## FINANCIAL POLICIES MANUAL





## INTRODUCTION

The Town of Palmer is committed to safeguarding public funds, protecting local assets, and complying with financial standards and regulations. To that end, this manual of financial policies provides guidance for local planning and decision making. The policies as a whole are intended to outline objectives, provide direction, and define authority to help ensure sound fiscal stewardship and management practices. Each should be periodically reviewed and updated as necessary.

With these policies, the Town of Palmer, through the Town Council, Finance Committee, Town Manager, and employees, commits to the following objectives:

- Sustaining a consistent level of service and value for residents and businesses
- Safeguarding financial integrity and minimizing risk through a system of internal controls
- Ensuring the quality and maintenance of capital assets
- Conforming to general law, uniform professional standards, and municipal best practices
- Protecting and enhancing the town's credit rating
- Promoting transparency and public disclosure



## TABLE OF CONTENTS

INTRODUCTION	3
CAPITAL PLANNING	1
DEBT MANAGEMENT	5
FINANCIAL RESERVES	8
FORECASTING	10
INVESTMENTS	13
OTHER POSTEMPLOYMENT BENEFITS LIABILITY	17
OVERLAY	19
ANTIFRAUD	21
GRANT MANAGEMENT	24
PROCUREMENT CONFLICT OF INTEREST	28
RECONCILIATIONS	31
REVENUE TURNOVER	35
TAX ENFORCEMENT	38
TAX RECAPITULATION	42
YEAR-END CLOSING	46
APPENDIX	49
POLICY ADOPTION AND REVISION LOG	51
MCTA'S INVESTMENT POLICY STATEMENT	53
MUNICIPAL CALENDAR	59



## CAPITAL PLANNING

### PURPOSE

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

### APPLICABILITY

This policy establishes a framework for the charge of the Capital Improvement Program Committee, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Town Manager and Town Council.

### POLICY

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Capital Improvement Program Committee (CIPC) is charged to oversee Palmer's capital improvement program (CIP). Its membership includes the Town Manager, Finance Director, School Business Manager, Police Chief, Public Works Director, and Community Development Director. The committee's objectives are to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations.

#### A. Definition of a CIP Project

A capital improvement is a tangible asset or project estimated to cost over [current = \$15,000; recommended = \$25,000] and to have or to extend [current = three; recommended = five] or more years of useful life. These include:

- Real property acquisitions for building, conservation, or recreation purposes
- New construction or additions to existing buildings, including the equipment needed to furnish the new building or addition for the first time
- Long-life capital equipment, including but not limited to vehicles, furnishings, hardware, and software
- New construction of, or major improvements to, physical infrastructure, including streets, sidewalks, storm water drains, and sanitary sewer systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility, and design consultant services for potential capital projects
- Items obtained under long-term capital leases
- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of [five] or more years that, when aggregated, have total costs exceeding the capital threshold

## B. Inventory

To support a systematic acquisition and replacement schedule, the Finance Director will annually update and maintain a detailed inventory of all capital assets, which will include dates built, acquired or last improved, original cost, current condition, expected and remaining useful lifespans, depreciated value, extent of use, and any scheduled replacement or expansion dates.

## C. Submitting and Prioritizing CIP Projects

Only projects that have gone through the CIPC's review process will be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Town Manager and Town Council. Department heads submitting CIP proposals will prioritize them based on the following criteria in descending order:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Uses outside financing sources, such as grants
4. Stabilizes or reduces operating costs
5. Replaces a clearly obsolete facility, makes better use of an existing facility, or relieves an overburdened situation
6. Maintains or improves productivity or existing standards of service
7. Supports adopted plans, goals, objectives, and policies of the Town
8. Directly benefits the Town's economic base by protecting and increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

## D. Project Rating

To rank capital requests, the CIPC members will assign point values to each as follows:

Ranking Considerations	Levels	Point Range
Department's priority classification	Mandatory	8-10
	Maintenance	6-7
	Improve Efficiency	3-5
	New Service	1-2
Department's priority rating	Very high	8-10
	High	6-7
	Medium	3-5
	Low	1-2
Expected useful life	20 + years	8-10
	10 – 19 years	3-5
	5 – 9 years	1-2
	< 5 years	0
Effect on operating & maintenance costs	Reduces costs	6-10
	No change	3-5
	Increases costs	0



Effect on Town's revenue (tax base)	Increase	6-10
	Unchanged	3-5
	Decrease	1-2
Availability of grant funds	Yes	1-5
	No	0

Generally, the CIPC will only recommend projects averaging 25 and above in point value.

#### E. Multiyear Capital Plan

As the CIPC chair, the Finance Director, will annually update and propose for adoption by the Town Council a five-year capital improvement plan, including the upcoming fiscal year's capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

#### F. Capital Financing

Long-term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans. The Town will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination of property taxes and the general and capital stabilization funds.

The CIP shall be prepared and financed in accordance with the following policies:

- Grant funding shall be pursued and used to finance the capital budget whenever possible.
- To the extent possible, all sewer capital projects shall be financed solely from the sewer special revenue fund.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.

#### G. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion. As they are closed out, the Finance Director will do the following:

- For bonded projects with residual balances, the Finance Director and Treasurer will propose reallocating any balances for other applicable capital projects.

- For projects funded with available revenue (tax levy or reserves) having residual balances, the Finance Director will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus.

**REFERENCES**

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 44 § 17](#)

Division of Local Services Guidance: [\*Presenting and Funding Major Capital Projects\*](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## **DEBT MANAGEMENT**

### **PURPOSE**

To provide for the appropriate issuance and responsible use of debt, this policy defines the parameters and provisions governing debt management. Policy adherence will help the Town to responsibly address capital needs, provide flexibility in current and future operating budgets, control borrowing, and maintain capital investment capacity. This policy is also intended to maintain and enhance the town's bond rating so as to achieve long-term interest savings.

### **APPLICABILITY**

This policy applies to the Town Council's and Town Manager's budget decision-making duties, to the Treasurer's debt reporting and management responsibilities, and to the Finance Director's budget analysis duties.

### **POLICY**

Under the requirements of federal and state laws, the Town of Palmer may periodically issue debt obligations to finance the construction, reconstruction, or acquisition of infrastructure and other assets or to refinance existing debt. The Town will issue and manage debt obligations in such a manner as to obtain the best long-term financial advantage and will limit the amount of debt to minimize the impact on taxpayers. Debt obligations, which include general obligation bonds, revenue bonds, bond anticipation notes, lease/purchase agreements, and any other debt obligations permitted to be issued under Massachusetts law, will only be issued to construct, reconstruct, or purchase capital assets that cannot be acquired with current revenues.

#### **A. Debt Financing**

In financing with debt, the Town will:

1. Issue debt only for objects and purposes authorized by state law.
2. Use available funds to the greatest extent possible to reduce the amount of borrowing on all debt-financed projects.
3. Confine long-term borrowing to capital improvements and projects that cost at least [\$100,000] and that have useful lifespans of at least [10] years or whose lifespans will be prolonged by at least [10] years.
4. Refrain from using debt to fund any recurring purpose, such as current operating and maintenance expenditures.
5. Consider using revenue bonds, special assessment bonds, or other types of self-supporting bonds instead of general obligation bonds whenever possible.
6. For the sewer operation, set user fees to cover capital costs to the extent practicable.

#### **B. Debt Limits**

The Town will adhere to these debt parameters:

1. Total debt service, including debt exclusions and self-supporting debt, shall be limited to [10] percent of general fund revenues, with a target balance of [five to seven] percent.
2. As dictated by state statute, the Town's debt limit shall be five percent of its most recent equalized valuation.

C. Structure and Term of Debt

The following shall be the Town's guidelines on debt terms and structure:

1. The Town will attempt to maintain a long-term debt schedule such that at least 50 percent of outstanding principal will be paid within 10 years.
2. The term of any debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed the maximum allowed by law.
3. The Town will limit bond maturities to no more than [10] years, except for major buildings, sewer and storm water facility projects, land acquisitions, and other purposes in accordance with the useful life borrowing limit guidelines published by the Division of Local Services.
4. The Town will work closely with its financial advisor to follow federal regulations and set time frames for spending borrowed funds to avoid committing arbitrage, paying rebates, fines and penalties to the federal government, and jeopardizing any debt issuance's tax-exempt status.

D. Protection of Bond Rating

To protect its bond rating, the Town will:

1. Maintain good communications with bond rating agencies, bond counsel, banks, financial advisors, and others involved in debt issuance and management.
2. Follow a policy of full disclosure on every financial report and bond prospectus, including data on total outstanding debt per capita, as a percentage of per capita personal income, and as a percentage of total assessed property value.

E. Reporting

1. The Treasurer will report to the Town Council, Town Manager, and Finance Director on the Town's debt status at least annually.
2. The Finance Director will include a statement of debt in the annual report of appropriations, receipts, and expenditures.

**REFERENCES**

[M.G.L. c. 41 § 59](#)

[M.G.L. c. 44, § 4](#)

[M.G.L. c. 44, § 6](#)

[M.G.L. c. 44, § 6A](#)

[M.G.L. c 44, § 7](#)

[M.G.L. c 44, § 8](#)

Division of Local Services Guidance: [\*Understanding Municipal Debt\*](#)

Division of Local Services Guidelines: [\*Asset Useful Life Schedules and Maximum Borrowing Terms\*](#)

Internal Revenue Service Code of 1986, as amended, [\*Section 148\*](#)

Internal Revenue Service Rule, July 2016: [\*Arbitrage Guidance for Tax-Exempt Bonds\*](#)

Standard & Poor's article: [\*The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers\*](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## FINANCIAL RESERVES

### PURPOSE

To help the Town stabilize finances and maintain operations during difficult economic periods, this policy establishes prudent practices for appropriating to and expending reserve funds. With well-planned sustainability, Palmer can use its reserves to finance emergencies and other unforeseen needs, to hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact the Town's credit rating and consequently its long-term cost to fund major projects.

### APPLICABILITY

This policy pertains to short- and long-range budget decision making and applies to the Town Council and Town Manager in those duties. It also applies to the related job duties of the Finance Director and Board of Assessors.

### POLICY

The Town of Palmer commits to building and maintaining its reserves so as to have budgetary flexibility for unexpected events and significant disruptions in revenue-expenditure patterns and to provide a source of available funds for future capital expenditures. The Town will strive to maintain overall reserves in the level of [eight to ten] percent of the annual operating budget. Adherence to this policy will help the Town withstand periods of decreased revenues and control spending during periods of increased revenues. There are multiple types of reserves, including free cash, stabilization funds, retained earnings, and overlay surplus.

#### A. Free Cash

The Division of Local Services (DLS) defines free cash as "the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended free cash from the previous year." DLS must certify free cash before the Town can appropriate it.

The Town shall set a year-to-year goal of maintaining its free cash in the range of [three to five] percent of the annual budget. To achieve this, the Town Manager will propose budgets with conservative revenue projections, and department heads will carefully manage their appropriations to produce excess income and budget turn backs. Further, budget decision makers will avoid fully depleting the Town's free cash in any year, so that the succeeding year's calculation can begin with a positive balance. Moreover, as much practicable, the Town will limit its use of free cash to funding one-time expenditures (such as capital projects or emergencies) and will appropriate any excess above [five] percent of the annual budget to reserves or to offset unfunded liabilities.

#### B. Stabilization Funds

A stabilization fund is a reserve account allowed by state law to set aside monies to be available for future spending purposes, including emergencies or capital expenditures, although it may be appropriated for any lawful purpose. Prior to the adoption of this policy, the Town established and appropriated to two stabilization funds, as detailed below.

**General Stabilization:** The Town will endeavor to maintain a minimum balance of [five] percent of the current operating budget in its general stabilization fund. Withdrawals from general stabilization should only be used to mitigate emergencies or other unanticipated events that cannot be supported by current general fund appropriations. When possible, withdrawals of funds should be limited to the amount available above the [five] percent minimum reserve target level. If any necessary withdrawal drives the balance below the minimum level, the withdrawal should be limited to [one-third] of the general stabilization fund balance. Further, the Town Manager will develop a detailed plan to replenish the fund to the minimum level within the next [two] fiscal years.

**Capital Improvement Special Purpose Stabilization Fund:** To achieve and maintain target balances sufficient to cover the Town's cash outlay for capital, the Town Council will appropriate [at least \$200,000] annually to the capital stabilization fund. Appropriating annually to this fund enables Palmer to pay outright for moderate-range capital expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs.

#### C. Overlay Surplus

The overlay is a reserve the Town uses to offset unrealized revenues resulting from property tax abatements and exemptions. Palmer officials will prudently manage the overlay in accordance with the Town's Overlay policy to avoid the need to raise overlay deficits in the tax levy.

At the conclusion of each fiscal year, the Board of Assessors will submit to the Town Manager and the Finance Director an update of the overlay reserve with data that includes, but is not limited to, the gross balance, potential abatement liabilities, and any transfers to surplus. If the balance exceeds the amount of potential liabilities, the Town Council may request that the Board of Assessors vote to declare those balances surplus and available for use in the Town's capital improvement plan or for any other one-time expense.

#### REFERENCES

[M.G.L. c. 40, § 5B](#)

[M.G.L. c. 59, § 25](#)

[M.G.L. c. 44, § 53F½](#)

Town of Palmer Overlay Policy

DLS Best Practices: [Free Cash](#), [Reserve Policies](#), and [Special Purpose Stabilization Funds](#)

DLS Informational Guideline Releases 08-101: [Enterprise Funds](#); 16-104: [Overlay and Overlay Surplus](#)  
And 04-201: [Creation of Multiple Stabilization Funds](#)

Government Finance Officers Association Best Practice: [Appropriate Level of Unrestricted Fund Balance in the General Fund](#)

#### EFFECTIVE DATE

This policy was adopted on [date].

## FORECASTING

### PURPOSE

To assess the range of choices available to budget decision makers when determining how to allocate resources, this policy establishes guidelines for evaluating revenue sources and the requirement to determine an expenditure strategy as part of the annual budget process and longer range fiscal planning. Forecasting helps local officials understand the long-range implications of pending near-term decisions.

### APPLICABILITY

This policy applies to the Town Council and Town Manager in their budget analysis and decision-making responsibilities. It also applies to the job responsibilities of the Finance Director and the managers of all revenue-generating departments, including the Public Works Department.

### POLICY

#### A. Revenue Guidelines

The Town will continuously seek to diversify its revenue to improve the equity and stability of sources. Each year and whenever appropriate, the Town will reexamine existing revenues and explore potential new sources. A balance will be sought between elastic and inelastic revenues to minimize any adverse effects caused by inflation or other economic changes. Additionally, intergovernmental revenues (e.g., local aid, grants) will be reviewed annually to determine their short- and long-term stability in order to minimize detrimental impacts.

The Town will avoid using one-time revenues to fund ongoing or recurring operating expenditures. These one-time revenue sources can include, but are not limited to, free cash, overlay surplus, sale of municipal equipment, legal settlements, insurance proceeds, and gifts. Additionally, the Town hereby establishes the following priority order when appropriating one-time revenues:

- General stabilization fund
- [Capital improvement stabilization fund]
- [Cash capital budget]
- [OPEB trust fund]
- [Other]

Economic downturns or unanticipated fiscal stresses may compel reasonable exceptions to the use of one-time revenue. In such cases, the Town Manager, in consultation with the Finance Director, can recommend to the Town Council its use for operational appropriations. Such use will trigger the Town Manager to develop an action plan with the Finance Director to avoid continued reliance on one-time revenues.

State laws impose further restrictions on how certain types of one-time revenues may be used. The Town will consult the following General Laws when the revenue source is:



- Sale of real estate: [M.G.L. c. 44, § 63](#) and [M.G.L. c. 44, § 63A](#)
- Gifts and grants: [M.G.L. c. 44, § 53A](#) and [M.G.L. c. 44, § 53A½](#)

This policy further entails the following expectations regarding revenues:

- The Assessing Division will maintain property assessments for the purpose of taxation at full and fair market value as prescribed by state law.
- Town departments that charge fees will annually review their fee schedules and propose adjustments when needed to ensure coverage of service costs.
- The Public Works Department will set sewer rates sufficient to cover all of the Water Pollution Control Facility's operating and capital improvement costs and minimize any general fund subsidy of the sewer special revenue fund.
- The Building Department will notify the Town Manager of any moderate-to-large developments that could impact building permit volume.
- Department heads will strive to seek out all available grants and other aid and will carefully consider any related restrictive covenants or matching requirements (both dollar and level-of-effort) to determine the cost-benefit of pursuing them.
- Revenue estimates will be adjusted throughout the budget cycle as more information becomes available.

#### B. Expenditure Guidelines

Annually, the Town will determine a particular budget approach for forecasting expenditures, either maintenance (level service), level funded, or one that adjusts expenditures by specified increase or decrease percentages (either across the board or by department). A maintenance budget projects the costs needed to maintain the current staffing level and mix of services into the future. A level-funded budget appropriates the same amount of money to each municipal department as in the prior year and is tantamount to a budget cut because inflation in mandated costs and other fixed expenses still must be covered.

#### C. Financial Forecast Guidelines

To determine the Town's operating capacity for each forthcoming fiscal year, the Finance Director will annually create a detailed budget forecast and provide it the Town Manager. The Finance Director will also annually prepare a [five]-year financial projection of revenues and expenditures for all operating funds. These forecasts will be used as planning tools in developing the following year's operating budget as well as the five-year capital improvement plan.

To ensure the Town's revenues are balanced and capable of supporting desired levels of services, forecasts for property taxes, local receipts, and state aid will be conservatively based on historical trend analyses and will use generally accepted forecasting techniques and appropriate data. To avoid potential revenue deficits, estimates for local receipts (e.g., inspection fees, investment income, license fees) should generally not exceed [90] percent of the prior year's actual collections without firm evidence that higher revenues are achievable.

Additionally, the Town's forecast model should assume that:

- The current level of services will be maintained.
- Property taxes (absent overrides) will grow at the limits of Proposition 2½.
- New growth will be projected conservatively, taking into account the Town's three-year average by property class.
- Local receipts and state aid will reflect economic cycles.
- Historical trends in the growth of specific operating expenses and employee benefits will prevail.
- Potential cost-of-living adjustment estimates for the impact of future contract settlements and compensation plan increases are included.
- Debt service on existing debt will be paid, and the Town's Capital Planning and Debt Management policies will be followed.
- Annual pension contributions and appropriations to amortize its other postemployment benefit liabilities will continue.
- Reserves will be built and maintained in compliance with its Financial Reserves policy.

**REFERENCES**

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 53A](#)

[M.G.L. c. 44, § 53A½](#)

[M.G.L. c. 44, § 63](#)

[M.G.L. c. 44, § 63A](#)

Town of Palmer policies on Capital Planning, Debt Management, and Financial Reserves

Division of Local Services Best Practice: [Revenue and Expenditure Forecasting](#)

Division of Local Services Bulletin 2013-01B: [Bond Premiums and Debt Exclusions](#)

Government Finance Officers Association article: [Structuring the Revenue Forecasting Process](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## INVESTMENTS

### PURPOSE

To ensure the Town's public funds achieve the highest possible, reasonable rates of return available while following prudent standards associated with safety, liquidity, and yield, this policy establishes investment guidelines and responsibilities. It is further designed to comply with the Governmental Accounting Standards Board's recommendations that every community disclose its key policies affecting cash deposits and other long-term investments to ensure they are managed prudently and not subject to extraordinary risk.

### APPLICABILITY

This policy applies to the Treasurer's responsibilities for investing and managing Town funds. It pertains to short-term operating funds, including general funds, special revenue funds, bond proceeds, and capital project funds, to all accounts designated as long-term (e.g., trusts, stabilization fund, other postemployment benefits trust fund), and to others the Town may set aside for long-term use, including scholarship and perpetual care funds. It does not pertain to the Town's retirement fund, which is invested and managed by the Hampden County Retirement Board.

### POLICY

The Treasurer will invest funds in a manner that meets the Town's daily operating cash flow requirements and conforms to state statutes governing public funds while also adhering to generally accepted diversification, collateralization, and prudent investment principles regarding safety, liquidity, and yield. The Treasurer will separately maintain all long-term accounts in order to proportion interest and any realized and unrealized gains or losses. All trust funds are under the Treasurer's control unless otherwise directed by the donor.

Through this policy, the Town accepts the allowable investment instruments, diversification principles, and investment restrictions regarding short- and long-term funds allowed by state statutes, as updated by [Chapter 218 of the Acts of 2016](#) (the Municipal Modernization Act) and as published by the Massachusetts Collectors and Treasurers Association (MCTA). The latest MCTA guidance is included in the appendix of this policy manual. (Note: Section 94 of Chapter 218 of the Acts of 2016 amends current law to permit investment in certificates of deposit for up to three years. The current MCTA guidance does not reflect the updated law.)

#### A. Investment Objectives

To secure the highest return consistent with safety of principal while meeting the Town's daily cash needs, the Treasurer will adhere to the following guidelines on safety, liquidity and yield:

- To preserve capital, the Treasurer will mitigate credit and interest rate risks by prudently selecting and diversifying investment instruments and depository choices.
- The Treasurer will ensure the overall investment portfolio remains sufficiently liquid to meet all reasonably anticipated operating requirements. Since all possible cash demands cannot be anticipated, the Treasurer will carry out investment activities in a manner that

provides for meeting unusual cash demands without liquidating investments and thereby potentially forfeiting accrued interest earnings and losing principal.

- The Treasurer will manage all investments so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

#### B. Risk Tolerance

The Treasurer will employ the following strategies to mitigate the range of investment risks:

- The Treasurer will manage **credit risk** by following the guidelines on investment instruments published by the MCTA and incorporated here by reference. This mitigates the risk that an insurer or other counterparty to an investment will not fulfill its obligations.
- To mitigate **custodial risks** when investing with any financial institution, the Treasurer will review its financial statements and advisor's background to limit the Town's exposure only to institutions with proven financial strength, capital adequacy, and overall affirmative reputations in the municipal investment industry. The Treasurer will further ensure that all securities not held directly by the Town will be held in the Town's name and tax identification number by third-party custodians approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP (Committee on Uniform Security Identification Procedures) numbers for each.

Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover deposits or to recover collateral securities in the possession of an outside party. The custodial risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, a Town would not be able to recover the value of an investment or to recover collateral securities in the possession of an outside party.

- The Treasurer will minimize **concentration of credit risk** by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. This mitigates the risk associated with the magnitude of a Town's investment in a single issuer.
- The Treasurer will carefully manage the duration of each investment account to mitigate **interest rate risk**, which is the risk that changes in interest rates will adversely affect an investment's fair market value.
- The Treasurer will mitigate **foreign currency risk** by limiting investments in any instruments with foreign currency exposures. This minimizes risk that changes in foreign exchange rates will adversely affect an investment deposit or its fair market value.

### C. Ethics

The Treasurer will refrain from any personal activity that may conflict with the proper execution of the investment program or that could impair or appear to impair the ability to make impartial investment decisions. The Treasurer will disclose to the Finance Director and Town Manager any personal, material financial interest in financial institutions that do business with the Town. The Treasurer will also disclose any large personal financial investment positions or loans that could be related to the performance of the Town's investments.

### D. Relationship with Financial Institutions

The Treasurer will consider soundness and stability when selecting financial institutions. To do so, the Treasurer will subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff, and will work with only recognized, reputable brokers/dealers.

When using the Veribanc rating service, the Treasurer may invest in banks that show green ratings and will subsequently monitor the ratings quarterly. If a banking institution's rating turns yellow, the Treasurer will request the institution provide a written explanation for the rating change and expected timetable for changing back to green. If the rating is still yellow for a second quarter, the Treasurer should consider liquidating all funds that are not collateralized or do not carry some form of depositor's insurance. If any rating moves to red, the Treasurer will ensure that all money is immediately collateralized, covered by some form of depositors insurance, or removed from the banking institution.

The Treasurer will require any brokerage houses and brokers/dealers wishing to do business with the Town to supply the following information:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Statement that the broker/dealer has read and will comply with this policy
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of \$10 million)

### E. Reporting Requirements

The Treasurer will assess investment activity and keep the Town Council, Town Manager and Finance Director apprised of any major changes by providing a report of investment activity annually or more often as needed.

The investment activity report shall incorporate all of the Town's investment funds and include the following information at minimum:

- List of all the individual accounts and securities held at the end of the period
- List of short-term investment portfolios by security type and maturity to ensure compliance with the diversification and maturity guidelines
- Summary of income earned on monthly and year-to-date bases

- Disclosure of the fees associated with managing each fund
- Brief statement of general market and economic conditions and other factors that may affect the Town's cash position
- Statement on the degree of compliance with the tenets set forth in this policy
- Disclosure of all fees associated with investment fund management

**REFERENCES**

[M.G.L. c. 29, § 38A](#)

[M.G.L. c. 44, § 54](#)

[M.G.L. c. 44, § 55](#)

[M.G.L. c. 44, § 55A](#)

[M.G.L. c. 44, § 55B](#)

[M.G.L. c. 167, § 15A](#)

[M.G.L. c. 203C](#)

Office of the Commissioner of Banks, [List of Legal Investments](#)

Governmental Accounting Standards Board Statement 40 [Deposit and Investment Risk Disclosures](#),

Government Finance Officers Association Best Practice [Creating an Investment Policy](#)

MCTA Investment Policy Statements

**EFFECTIVE DATE**

This policy was adopted on [date].

## OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### PURPOSE

To ensure fiscal sustainability, this policy sets guidelines for a responsible plan to meet the Town's obligation to provide other postemployment benefits for eligible current and future retirees. It is designed to achieve generational equity among those called upon to fund this liability and thereby avoid transferring costs into the future.

In addition to salaries, the Town of Palmer compensates employees in a variety of other forms. Many earn benefits over their years of service that they will not receive until after retirement. A pension is one such earned benefit. Another is a set of retirement insurance plans for health, dental, and life. These are collectively referred to as other postemployment benefits, or OPEBs. OPEBs represent a significant liability for the Town that must be properly measured, reported, and planned for financially.

### APPLICABILITY

This policy encompasses OPEB-related budget decisions, accounting, financial reporting, and investment. It applies to the Town Council and Town Manager in their budget decision-making duties, and it also applies to the OPEB-related job duties of the Treasurer and Finance Director.

### POLICY

The Town of Palmer is committed to funding the long-term cost of the benefits promised its employees. To do so, the Town will accumulate resources for future benefit payments in a disciplined, methodical manner during the active service life of employees. The Town will also periodically assess strategies to mitigate its OPEB liability. This involves evaluating the structure of offered benefits and their cost drivers while at the same time avoiding benefit reductions that would place undue burdens on employees or risk making the Town an uncompetitive employer.

#### A. Accounting for and Reporting the OPEB Liability

The Finance Director will obtain actuarial analyses of the Town's OPEB liability every two years and will annually report the Town's OPEB obligation in financial statements that comply with the current guidelines of the Governmental Accounting Standards Board (GASB). The Town Manager will ensure the Town's independent auditor reviews compliance with this policy's accounting, reporting, and investment provisions as part of its annual audits and will report on these to the Town Council.

#### B. Trust and Trustees

To manage and invest the OPEB fund, the Town will maintain an irrevocable trust administered by a board of trustees consisting of the Town Manager, Finance Director, Treasurer, one Town Councilor, and two Town Council designees. The Treasurer will serve as trust custodian and be bonded in sufficient amounts to protect fund assets.

#### C. Mitigation

On an ongoing basis, the Town will assess healthcare cost containment measures and evaluate strategies to mitigate its OPEB liability. The Finance Director will monitor proposed laws affecting OPEBs and Medicare and analyze their impacts. The Treasurer will regularly audit the group insurance and retiree rolls and terminate any participants found to be ineligible based on work hours, active Medicare status, or other factors.

#### D. Investment

The trustees, as fiduciaries, will invest the fund's assets for the primary purpose of enhancing the value of the fund while minimizing the risk of large losses. When the fund has over [\$100,000], the Town will invest the OPEB trust with the [State Retiree Benefits Trust Fund](#) (SRBT).

#### E. Annually Review OPEB Funding Strategies

To address the OPEB liability, decision makers will analyze a variety of funding strategies and subsequently implement them as appropriate with the intention of fully funding the obligation. The Town will derive funding for the OPEB trust fund from taxation, free cash, and any other legal form. Achieving full funding of the liability requires the Town to commit to funding its annual required contribution (ARC) each year, which is calculated based on actuarial projections. Among strategies to consider for funding the ARC:

- Transfer unexpended funds from insurance line items to the OPEB trust fund.
- Appropriate amounts equal to the Town's Medicare Part D reimbursements.
- Determine and commit to appropriating an annual portion of free cash.
- Appropriate an annually increasing percentage of yearly revenues.
- Once the pension system is fully funded, on a subsequent annual basis, appropriate to the OPEB trust fund the amount equivalent to the former pension-funding payment or the ARC, whichever is less.

#### REFERENCES

[M.G.L. c. 32B, § 20](#) [M.G.L. c. 32B, § 20A](#) [M.G.L. c. 44, § 54](#) [M.G.L. c. 44, § 55](#) [M.G.L. c. 203C](#)

Town of Palmer Investment Policy

GASB Statement 45, June 2004: [Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions](#). To be replaced by Statement 75 as of July 1, 2017.

GASB Statement 74, July 2016: [Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans](#)

Government Finance Officers Association Best Practices: [Ensuring Other Postemployment Benefits \(OPEB\) Sustainability](#) and [Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits](#)

#### EFFECTIVE DATE

This policy was adopted on [date].



## OVERLAY

### PURPOSE

To ensure the proper treatment of the overlay account, this policy sets guidelines for determining the annual overlay amount in the Town's budget and for deciding whether any overlay balance can be certified as surplus. The allowance for abatements and exemptions, commonly referred to as the overlay, is an account to offset anticipated abatements and exemptions of committed real and personal property taxes. The account may also be charged in the event property taxes are deemed to be uncollectable.

### APPLICABILITY

This policy applies to the job duties of the Board of Assessors, Principal Assessor, and Finance Director, as well as to the budget decision-making duties of the Town Manager and Town Council.

### POLICY

Although the Municipal Modernization Act ([Chapter 218 of the Acts of 2016](#)) allows for a single overlay account, to continue historical information and facilitate reconciliations, the Finance Director will maintain subsidiary ledgers for overlay balances by levy year.

#### A. Annual Overlay

Each year, the Board of Assessors will vote in an open meeting to authorize a contribution to the overlay account as part of the budget process and to raise it without appropriation on the Town's tax recapitulation sheet. The Principal Assessor will determine the amount to be added to the overlay account based on the following:

- Current balance in the overlay account
- Three-year average of granted abatements and exemptions
- Potential abatement liability in cases pending before, or on appeal from, the Appellate Tax Board (ATB)
- Timing of the next certification review by the Division of Local Services

The Board of Assessors will notify the Finance Director and Town Manager of the amount of overlay voted.

#### B. Excess Overlay

Annually, the Principal Assessor and Finance Director will conduct an analysis to see if there is any excess in the overlay account balance by factoring the following:

- Current balance in the overlay account after reconciling with the Finance Director's records
- Balance of the property tax receivables, which represents the total real and personal property taxes still outstanding for all levy years
- Estimated amount of potential abatements, including any cases subject to ATB hearings or other litigation

Upon determining any excess in the overlay account, the Principal Assessor will present the analysis to the Board of Assessors for its review and will also notify the Town Manager.

C. Overlay Surplus

If there is an excess balance in the overlay account, the Board of Assessors will formally vote in an open meeting to certify an amount to transfer to overlay surplus and will notify the Town Council, Town Manager, and Finance Director in writing of its vote. If the Town Council makes a written request for a determination of overlay surplus, the Board of Assessors will vote on the matter within the next 10 days and notify the Town Council of the result in writing.

After being certified, Town Council may appropriate overlay surplus for any lawful purpose until the end of the fiscal year. However, the appropriation should be as prescribed in the Town's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the general fund's undesignated fund balance.

**REFERENCES**

[M.G.L. c. 59, § 25](#)

DLS Informational Guideline Release 16-104: [Overlay and Overlay Surplus](#)

Town of Palmer policies on Forecasting Policy and Financial Reserves

**EFFECTIVE DATE**

This policy was adopted on [date].

## ANTIFRAUD

### PURPOSE

To protect the Town's assets and reputation from misappropriation and abuse, this policy provides guidelines to safeguard against fraudulent activities and any appearance thereof. Policy objectives include:

- To create an environment in which employees and citizens can report any suspicion of fraud
- To communicate the Town's intent to prevent, report, investigate, and disclose to proper authorities suspected fraud, abuse, and similar irregularities
- To provide management with guidelines and responsibilities regarding appropriate actions in conducting investigations of alleged fraud and similar improprieties

### APPLICABILITY

This policy pertains to any suspected fraud, abuse, or similar irregularity against the Town. It applies to all elected and appointed Town officials and employees and to any other persons acting on behalf of the Town, such as vendors, contractors, volunteers, casual employees, and grant subrecipients.

### POLICY

The Town is committed to protecting its revenue, property, information, and other assets from any attempt, either by members of the public, contractors, consultants, vendors, agents, or its own employees, to gain by deceit, financial or other benefits at the expense of taxpayers. Town officials, employees and other persons acting on behalf of the Town must, at all times, comply with all applicable policies, laws, and regulations. The Town will not condone any violation of law or ethical business practices and will not permit any activity that fails to withstand the closest possible public scrutiny. The Town intends to fully, objectively, and impartially investigate any suspected acts of fraud or other similar irregularities regardless of the position, title, length of service, or relationship with the government of any party who may be the subject of such investigation.

#### A. Definitions

**Any person acting on behalf of the Town** will mean any person responsible for or to Palmer's government placed in that position by some official relationship with the Town.

**Abuse** can occur in financial or nonfinancial settings and refers to, but is not limited to:

- Improper use or misuse of authority
- Improper use or misuse of Town property, equipment, materials, records, or other resources
- Waste of public funds

**Fraud or other irregularity** refers but is not limited to:

- Any dishonest or fraudulent act

- Forgery or alteration of any document or account
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, securities, supplies, or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of Town activities
- Disclosing confidential or proprietary information to outside parties
- Accepting or seeking anything of material value from consultants, contractors, vendors, or persons providing services or materials to the Town
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any claim for reimbursement of expenses not made for the exclusive benefit of the Town
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes
- Any omissions and misrepresentations made in bond offering documents, presentations to rating agencies, and annual financial reports

#### B. Antifraud Responsibilities

Every employee has the responsibility to assist the Town in complying with policies and laws and in reporting violations. The Town encourages the support and cooperation of all employees in meeting the Town's commitment and responsibility to such compliance.

Town managers and officials are responsible for instituting and maintaining a system of internal controls to reasonably ensure the prevention and detection of fraud, misappropriations, and similar irregularities. Management should be familiar with the types of improprieties that could occur within their areas of responsibility and be alert for any indications of such conduct.

The Town Manager has primary responsibility for investigating all activity defined in this policy and will, to the extent practical, notify the Town Council of reported allegations of fraudulent or irregular conduct upon commencing the investigation. In all circumstances where there are reasonable grounds to indicate a fraud may have occurred, the Town Manager, subject to the advice of Town Counsel, will contact the District Attorney's office and/or the Palmer Police Department. Upon concluding the investigation, the Town Manager will report results to the Town Council and others as determined necessary.

#### C. Disclosure

If the Town's investigation concludes that there was a violation of any federal criminal law involving fraud, bribery or gratuity potentially affecting a federal award, the Town Manager will disclose such in writing to the federal awarding agency in compliance with the Office of Management and Budget's Omni Circular. Similarly, if there are findings of bond offering information falsification, the Town Manager will disclose this in writing to the bondholders.

#### **PROCEDURES**

The Town Manager will create a set of procedures to be appended to this policy or incorporated by reference. The procedures should cover all of the following at minimum:

1. Procedure and methods for reporting suspicions of fraud, abuse and other irregularities
2. Assignment of responsibilities in response to reported suspicions
3. Employee protections from retaliation
4. Security of investigation documents
5. Treatment of anonymous allegations and false allegations (intentional and unintentional)
6. Personnel disciplinary actions
7. Responsibilities around media contact
8. Training, education and awareness
9. Disclosure requirements and protocols

**REFERENCES**

[M.G.L. c. 149 § 185](#)

U.S. Office of Management and Budget's [Omni Circular](#) issued December 2013

**EFFECTIVE DATE**

This policy was adopted on [date].

## GRANT MANAGEMENT

### PURPOSE

To ensure Palmer efficiently and appropriately manages its grant-funded programs, this policy sets a framework for evaluating grant opportunities, tracking grant activity, and processing grant revenues and expenditures. Effective grant management helps to promote the pursuit of grants that are in the Town's best interest, to assure timely reimbursements to optimize cash flow, and to guard against year-end account deficits. As a legal contract, every grant agreement must be fulfilled in accordance with its prescribed terms and conditions, as well as all applicable federal, state, and local regulations. Failure in this regard exposes the Town to legal and financial liabilities and compromises future grant funding.

### APPLICABILITY

This town-wide policy applies to the grant project managers in each department applying for or receiving grant funding. It further applies to the grant-related responsibilities of the Town Council, Town Manager, Finance Director, Treasurer, School Committee, and School Business Manager.

### POLICY

All departments are encouraged to solicit grant funding for projects and programs consistent with the Town's goals. All municipal grant applications in excess of \$5,000 must receive preapproval by the Town Council and all educational ones by the School Committee. To be eligible for preapproval, there must be sufficient staff available to effectively administer the grant program and perform its required work scope, along with adequate matching requirements (both cash and in-kind).

No department shall expend grant funds until after a fully executed grant agreement has been accepted and approved for expenditure by the Town Council and Town Manager (or the School Committee, when applicable). Further, no grant funds shall be used to supplant an existing expense for the purpose of diverting current funds to another use.

Operating departments through their designated grant project manager(s) have primary responsibility for seeking grant opportunities, preparing applications, and managing awarded programs. The Finance Director is responsible for consulting with project managers on grant budgetary matters, accounting for grants in the general ledger, monitoring grant expenditures for consistency with award requirements, tracking the timeliness of reimbursement requests, and distributing monthly reports of grant expenditures to departments. The Finance Director will also maintain a database of all grants and grant activity from inception to closure.

#### A. Grant Opportunity Assessment

Well in advance of a grant application's due date, the departmental project manager will assess the opportunity in consultation with the Town Manager and Finance Director (and the School Business Manager, if a school grant). Below are the factors to be considered, at minimum.

##### Programmatic:

- Alignment of the grant's purpose with the Town's and department's strategic priorities

- Department's capacity to administer the grant through to closeout
- Office space, facilities, supplies, or equipment required
- Ongoing impact of the grant program after it is completed
- Compliance and audit requirements, particularly as they may differ from the Town's

Financial:

- Total anticipated project cost
- Expenditure requirements and anticipated cash flow schedule
- Required cost matching shares and sources, including cash and in-kind
- Staffing requirements, including salary and benefit increases for multiyear grants
- Administration and indirect recapture amounts
- Program income potential

In this stage, the project manager will also develop a continuation plan to address the potential future loss of grant funding, which may include alternative funding proposals or plans for reducing or terminating program positions or components after grant closeout.

**B. Grant Application and Award Acceptance**

Prior to filing any grant application greater than \$5,000, the project manager will submit a meeting agenda item requesting preapproval from the Town Council (or the School Committee, when applicable) with a report summarizing the grant and how it complies with this policy. The Town Manager will then make a determination as to whether any preapproved application should be submitted to Town Counsel for a legal review. Following this, the project manager will submit the grant application to the grantor and forward a copy to the Finance Director.

When a project manager receives notice of any grant award, he or she will submit it as an meeting agenda item for the Town Council and Town Manager (or the School Committee) to formally accept it by signatures and thereby approve the expending of grant funds. The project manager will then send copies of the signed agreement to the grantor and the Finance Director.

Upon a receipt of a new grant, the Finance Director will create new general ledger accounts to record the grant activity separately from regular expenses. When notified of any amendment or adjustment by the grantor, the project manager will immediately forward the information to the Finance Director, who will make adjustment(s) to the grant's budget in the general ledger.

**C. Grant Financial Management**

At the start of a new grant, the Finance Director and project manager will discuss its requirements and the timing of reimbursement requests (e.g., at the time of expenditure, monthly or quarterly), when applicable.

The project manager will ensure all expenditures made are allowable and consistent with the grant award requirements. The project manager will submit project invoices to the Finance Department with an accounts payable (AP) cover sheet that has accurate general ledger expense codes for the grant and the department head's signature. The project manager will also ensure the proper

payroll account codes for grant-funded employees are included on the department's payroll report to the Finance Department as part the regular payroll process.

To minimize the use of advance town funds, every project manager will request reimbursements as often as the grant's guidelines allow and always no later than June 30th. In doing so, the project manager will prepare all required reports and requests as detailed in the agreement and submit these to the grantor. Immediately following each submittal, the project manager will send an email notification of the reimbursement request to the Finance Director and Treasurer.

The Finance Director will monitor each grant's deficit balance to assure it is temporary and receives reimbursement within the grant's allowable timeline and always prior to year-end. The Treasurer will match reimbursements received electronically or by check with their requests and credit the proper revenue lines.

#### D. Grant Closeout

Upon completion of the project work or grant period, whichever comes first, the project manager will verify that all grant requirements have been met and will send to the Finance Director a grant closeout package that includes a final report and either a final reimbursement request or notification of the amount to be refunded to the grantor.

Upon receipt of the closeout package, the Finance Director will put the general ledger's grant account into inactive status and will reconcile the project manager's report with the general ledger's record of grant activity. The project manager will subsequently submit the final reimbursement request to the grantor or, if a refund is due, the Finance Director will add the refund amount to the AP warrant.

Within 30 days of any grant closeout or the year-end closure, whichever is earlier, the Finance Director will determine if the grant account has been overexpended and will either apply the expense to the operating budget or propose an appropriation from other available funds.

#### E. Audit

All grant activities are subject to audit by the particular grantors, Finance Director, and Palmer's independent auditor. The Finance Director will maintain all grant documents and financial records for seven years after their closeouts or for the lengths of time specified by the grantors, whichever period is longer.

#### REFERENCES

[M.G.L. c. 44, § 53A](#)

Mass.gov webpage: [Municipal Grant Finder](#) US grant search website: [grants.gov](#)

Department of Elementary and Secondary Education webpage: [Grant Notifications and Alerts](#)

#### EFFECTIVE DATE



This policy was adopted on [date].

## PROCUREMENT CONFLICT OF INTEREST

### PURPOSE

To ensure integrity in the procurement and contract processes, to educate Town employees, consultants, uncompensated outside parties, and any other person involved in decisions to award contracts about potential conflicts of interests, and to establish a process for the screening of conflicts of interests.

### APPLICABILITY

The policy pertains to all the Town's procurement and contract processes governed under the provisions of the state's Uniform Procurement Act associated with, but not limited to: specification development, preparation and issuance of solicitations, evaluation of solicitations and submissions, and other evaluations that lead to Town contract awards. The policy applies to the job responsibilities of the Town Manager serving as the Town's procurement officer and to related functions of the Finance Director. It further applies to all Town employees, officials, and others working on the Town's behalf who are involved with any procurement and contract process and to the prospective contractors.

### POLICY

The Town is committed to ethical business practices, professional integrity, and compliance with all procurement laws and regulations. Palmer will provide fair opportunities to participants in competitive processes for the award of Town contracts. Process integrity will be reinforced by the practices outlined here to ensure confidentiality during the bid evaluation process and to assess and address conflicts of interest in all competitive solicitations. The Town will investigate all allegations of conflict of interest or misconduct brought to the attention of Town staff.

To comply with the state's [Uniform Procurement Act](#), any purchase for supplies or services ([with certain exceptions](#)) costing more than \$10,000 requires solicitation of three written quotes for contracts and those over [\$50,000] require competitive sealed bids or proposals for contracts. No quote or bid process is required when procuring supplies or services from vendors that are under state contracts or involved in regional cooperative purchasing agreements.

#### A. Confidentiality during the Bid Evaluation Process

Town staff, consultants, and outside evaluators who are participants in a bid evaluation process are required to sign confidentiality agreements, which bind them not to share any information about responses received and the evaluation process until the Town issues a Notice of Intended Award.

Departments must:

1. Identify all participants of an evaluation process who receive proposals or other documents used in the evaluation process, including nonevaluating observers
2. Ensure that these participants sign confidentiality agreements
3. Submit the confidentiality agreements to the Town Manager

The Town Manager must:

1. Verify that signed confidentiality agreements for all participants in the evaluation process, including nonevaluating observers, are submitted
2. Maintain signed confidentiality agreements on file

B. Conflict of Interest in Procurement

To ensure decisions are made independently and impartially, Town employees and officials are expected to avoid any conflicts of interest and also avoid the appearance of conflicts of interest. A conflict of interest, or the appearance of one, must be disclosed whenever a vendor, employee, or officer has, or can reasonably anticipate having, an ownership interest, a significant executive position, or other remunerative relationship with a prospective supplier of goods or services to the Town or knows that a family member or other person with whom they have a personal or financial relationship has such an interest.

According to the federal Office of Management and Budget's Omni Circular, a conflict of interest arises when: *"the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract."*

And it states that: *"The officers, employees, and agents of the non-federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts."*

The Omni Circular further requires that for any federal grant involving a parent, affiliate, or subsidiary organization that is not a state or local government, the Town must also maintain written standards of conduct covering organizational conflicts of interest. An organizational conflict of interest means that due to a relationship with a parent company, affiliate, or subsidiary organization, the Town is unable or appears to be unable to be impartial in conducting a procurement action involving the related organization.

Any person with a conflict as described above will not participate in the preparing of specifications, qualifying vendors, selecting successful bidders on products or services in which they have an interest, or approving payment to those interests. The only exception to this arises if the person makes full disclosure of a potential conflict and receives an advance, written determination from the State Ethics Commission that the interest is not so substantial as to be deemed likely to affect the integrity of the services the Town may expect from that individual.

Department heads and other officials are required to ascertain and disclose to the Town Manager any potential conflict of interest affecting procurement transactions before a contract is signed, commitment made, or order placed. The Town Manager will then notify the Finance Director, who will verify the availability of funds before any order is placed with a vendor.

The following measures shall be taken to ensure the Town avoids any conflicts of interest in procuring Town contracts:

1. Employees, officials, and others who regularly participate in contract activities on behalf of the Town must disclose relevant financial interests as required by state and federal laws and annually review those statements in accordance with this policy and other ethical standards.
2. Other persons involved in procurements must review this policy and other ethical standards and provide information in order to determine if there is a conflict of interest. Such persons will include, but are not limited to, authors of specifications; paid and unpaid evaluators; and paid and unpaid consultants who assist in the procurement process.
3. If a possible conflict of interest is identified, it must be documented and reviewed with Town Counsel.

Departments must:

1. Identify employees, consultants, outside uncompensated parties, and any other persons who will be involved in a procurement or contract activity, such as specification development, preparation and issuance of solicitations, evaluation of solicitations or submissions, or other evaluations, that will lead to an award of contract
2. Provide conflict of interest forms to the identified participants
3. Submit the completed forms to the Town Manager prior to commencing any procurement or contract activity

The Town Manager must:

1. Review the submitted forms for potential conflicts of interest
2. Discuss any potential conflicts of interest with Town Counsel and document the resulting determinations
3. If a conflict or the appearance of one exists, take appropriate actions, including but not limited to, removal of the employee, consultant, or outside uncompensated party from the procurement or contract activity or cancelation of the solicitation.

#### C. Audit

The Finance Director will conduct random audits of compliance with this policy. All practices associated with the Town's procurement also are subject to audit by its independent auditor.

#### REFERENCES

[M.G.L. c. 30B](#)

[M.G.L. c. 268A](#)

State Ethics Commission's webpage [Disclosure Forms for Municipal Employees](#)

Inspector General's webpage [Procurement Assistance](#)

U.S. Office of Management and Budget, December 2013 [Omni Circular](#)

#### EFFECTIVE DATE

This policy was adopted on [date].

## RECONCILIATIONS

### PURPOSE

To ensure transactions are in balance, to mitigate fraud, and to safeguard general ledger accuracy, financial officers must conduct regular reconciliations of their accounting records, and these must be reconciled to the general ledger. Although each financial officer is responsible for maintaining independent records of his or her office's transactions, they are also collectively accountable for the overall accuracy of Palmer's financial records. Failure to reconcile cash, receivables, and withholdings hampers the Town's ability to produce reliable reports, close its books, make timely submissions to the Division of Local Services, and complete audits. In addition, unresolved variances reduce the amount of certified free cash and may result in significant deficiency findings by the independent auditor.

### APPLICABILITY

This policy applies to the Finance Director, Treasurer, Collector, or their designees, and to all departments that have accounts receivable responsibilities [(e.g., Police, Recreation, etc.)].

### POLICY

The Treasurer, Collector, and all department heads with accounts receivable duties will internally reconcile their respective accounting records and subsequently reconcile them with the Finance Director according to the guidelines and periodic time frames outlined in this policy.

#### A. Cashbook Reconciliation

To ensure an accurate accounting of all revenue activity, the Treasurer will maintain a cashbook that reflects up-to-date and accurate information for all cash and assets. To do so, the Treasurer will make certain that all cash receipts, disbursements, transfers, and interest are recorded in the cashbook within [two business days] of each transaction and will reconcile cashbook accounts to their corresponding bank accounts within [five days] of receiving bank statements. These will include zero-balance vendor and payroll bank accounts, whose balances must equal the outstanding checks at the end of any month.

The Treasurer will identify all reconciling items, including deposits in transit, bounced and voided checks, and discrepancies between the cashbook and financial institutions, and will correct them when appropriate. The Treasurer will then forward to the Finance Director a summary of the reconciled cashbook balances and, when needed, an additional Schedule of Receipts for any adjustments made.

#### B. Payroll Withholdings Reconciliation

Payroll withholdings include federal and state taxes, child support and other wage assignments for legal obligations, deferred compensation, optional insurances, association dues, and other employer-sponsored options, which are all itemized in separate general ledger accounts. As part of the weekly payroll process, the Treasurer forwards a summary report of employee and employer withholdings to the Finance Director to be recorded in the general ledger.

To reduce the risk to the Town for liabilities in excess of withholdings, the Treasurer will conduct a monthly reconciliation of the payroll withholdings to their corresponding accounts payable and identify any discrepancies. The Treasurer will provide the results of these activities to the Finance Director to make any necessary changes or adjustments.

#### C. Accounts Receivable Reconciliation

Accounts receivable are outstanding monies owed to the Town, whether from committed bills (i.e., taxes, excises, and utilities) or from uncommitted department invoices (e.g., police details). To ensure these assets are accounted for and balanced, the Collector and the department heads with accounts receivable duties (the “record-keeper”) will make certain that all cash receipts are recorded timely, maintain a control record for each receivable type and levy year, and verify the detail balance agrees with the receivable control.

The receivable control is a record of original entry in which the record-keeper reduces a commitment according to collections, abatements, and exemptions and increases it by refunds issued. To maintain accuracy, the record-keeper must review the detailed list of receivables, identify credit balances as prepaid amounts or investigate them for possible correction, and reconcile the control balance to the detail.

Whenever these records do not agree, the record-keeper must determine the discrepancy by:

- Verifying the various transactions (commitments, abatements, refunds, chargebacks) against their supporting documents
- Comparing the total amount of posted payments to the turnovers accepted by the Treasurer
- Determining whether any revenues were incorrectly recorded as payments to the commitment, such as interest and fees

The record-keeper will forward a copy of the internally reconciled accounts receivable balances to the Finance Director.

#### D. General Ledger Reconciliation

To achieve the core objective of maintaining the general ledger’s integrity, the Finance Director must regularly reconcile it with the separately maintained accounting records outlined in Sections A – C above. In addition, it is the Finance Director’s responsibility to review all accounts analytically from time to time for reasonableness and to identify unusual activity.

The general ledger’s cash accounts should reflect only those transactions reported to the Finance Director by the Treasurer, so that in theory, the general ledger should be in balance with the cashbook. However, errors may occur due to omitting transfers or transactions or applying them in the wrong amounts or to the wrong accounts. Whenever the Finance Director identifies a discrepancy between the general ledger and the cashbook, the following steps must be taken in conjunction with the Treasurer to determine the cause:

- If the total amount of revenue reported in the cashbook does not agree with the amount recorded in the ledger for that month, the Treasurer must verify that the monthly Treasurer's Schedule of Receipts agrees by detailed amount and classification with the cashbook and correct any errors.
- Compare the total amount of warrants paid during the month as recorded in the cashbook with the total recorded in the ledger for the same period. The last warrant paid must be the last one recorded; otherwise, a timing problem will create a discrepancy.
- If the records still do not agree, the Treasurer and Finance Director must trace each entry to the ledger until the variance is determined.

The Finance Director will review the payroll withholdings reconciliation report provided by the Treasurer against the general ledger and make corrections to the ledger as needed.

All receivable records must also be reconciled to the Finance Director's general ledger. If a given receivable control has been internally reconciled, any discrepancy must be in the general ledger, so the Finance Director must:

- Review the commitments, charges, payments, abatements, refunds, reclassifications, and adjustments in the general ledger, as appropriate for the particular control
- Verify whether receipts are recorded to the correct type and levy year
- Verify the dates that activities were recorded

The Finance Director's receivable accounts in the general ledger should reflect the transactions provided by each particular record-keeper. Therefore, the above steps must resolve any discrepancies between the receivable control and the ledger. If they do not, the record-keeper and Finance Director must trace each ledger entry until they determine the reason for variance.

#### E. Time frames and Documentation

Finance department officers will complete reconciliations of their internal accounting records early each month so that subsequent reconciliations to the general ledger take place no later than [the 20<sup>th</sup>] of the month following the one being reconciled. At each quarter-ending month, the Finance Director will extend the cash reconciliation to individually reconcile every general ledger account that directly corresponds to a specific bank account (e.g., stabilization funds, trust funds).

The financial officers who jointly complete each general ledger reconciliation will sign reconciliation worksheets. In a given month, if any variance has not yet been fully resolved, this must be noted, along with a work plan and timetable for resolution. The Finance Director will collectively submit the reconciliation worksheets to the Town Manager by each month's end.

#### F. Audit

All reconciliation documents are subject to audit by Palmer's independent auditor.

**REFERENCES**

DLS Best Practices, [\*Reconciling Cash and Receivables\*](#)

Massachusetts Collectors Treasurers Association: [\*Treasurer's Manual\*](#) and [\*Collector's Manual\*](#)

**EFFECTIVE DATE**

This policy was adopted on [date].



## REVENUE TURNOVER

### PURPOSE

To safeguard Town assets and maximize cash flow, this policy provides guidelines for departments to turn over receipts to the Treasurer. Included are details of internal controls designed to provide reasonable assurance that the Town's revenues are properly and timely secured, recorded, and deposited in Town bank accounts.

### APPLICABILITY

This policy pertains to all cash, check, credit card, and other forms of payment received by all Town departments for taxes, excise, fees, federal and state government receipts, and charges. It applies to all individuals within each department assigned responsibility for handling payments.

### POLICY

The head of each department that receives payments is responsible for instituting and employing internal controls designed to ensure all receipts are recorded accurately, kept secure from loss or theft, and turned over timely to the Treasurer. Each department must turn over at least weekly and must do so immediately whenever receipts total \$500 or more. All current-month turnovers must be completed at month-end no later than [11:00 am] on the last business day of the month.

### PROCEDURES

#### A. Receiving Payments

Using prenumbered receipt books supplied by the Treasurer, departmental staff must issue a receipt for every collection received, even when the payer attempts to refuse it. Employees in the Collector's office receiving taxes and other collections from the public need only issue receipts for cash payments. However, all departmental staff without exception must identify cash payments as such in their receipt books. All staff must immediately endorse each check "For Deposit Only" using a stamp or by handwriting. Every department receiving payments shall secure them in a locked cashbox or safe until completing a turnover to the Treasurer.

The School Department's business office deposits student activity receipts into a Town bank account. These deposits shall take place the same day as receipt whenever cash is received and whenever check receipts total \$100 or more. Copies of the bank deposit slips shall be included with the turnover to the Treasurer.

Each department head is responsible for overseeing the processing, recording, record retention, and turning over of collected receipts to the Treasurer. To the extent practicable, separate individuals should be tasked with 1) receiving payments, 2) depositing money in the bank (as applicable for the School Department) and 3) turning receipts over to the Treasurer.

### B. Turning Over Revenues

Departmental staff will create a turnover package by filling out a standard Schedule of Departmental Payments (i.e., the turnover form), making three copies of the turnover form, and obtaining signatures of the department head on each of them. All receipts should correlate to the numbered receipt book and to the turnover form. Each Collector turnover will consist of turnover forms showing the collections summarized by receipt type, which must reconcile to attached bank deposits. At no time will a department leave a turnover in the Treasurer's office unattended.

When the Treasurer's office has accepted the turnover, the department employee will receive two copies of the turnover form signed and dated by a Treasurer staff member. The department employee will retain one turnover copy on file and is responsible for delivering the other to the Finance Director. The Finance Director will refuse to accept any turnover form that is not signed by a Treasurer staff member.

All departments that receive payments should review their monthly revenue reports against their turnover copies to verify that all receipts turned over to the Treasurer are accurately recorded in the appropriate general ledger accounts. Any discrepancy must be reported to the Finance Director immediately.

### C. Receiving Turnovers

When presented with a turnover, Treasurer staff will count the receipts in the presence of the remitting department. Any inaccuracies on the turnover form will be corrected and initialed by both parties. The Treasurer staff member will then sign two turnover copies and return them to the departmental employee.

Immediately after accepting the turnover, Treasurer staff will post the receipt data in the Munis Cash Management module (i.e., the Treasurer's cashbook). By close of business each day, the Treasurer will review the Munis postings, turnover documents, and receipts, and will create a bank deposit package. The Treasurer will ensure that all receipts are deposited to the bank within 24 hours of being turned over. Until the deposit is completed, Treasury staff must ensure that all receipts are secured at all times, either in a cash drawer, or if being held overnight, in a safe.

To the extent practicable, separate individuals should be tasked with 1) receiving the turnovers, 2) recording the revenues in the Treasurer's cashbook, and 3) depositing the money in the bank.

The Treasurer will provide the Finance Director with a weekly report of all turnovers processed (i.e., the Schedule of Receipts report).

### D. Reconciliation

In accordance with the Town's Reconciliation policy, the Treasurer will reconcile the cashbook with bank statements and provide a summary of cashbook balances to the Finance Director monthly.

**E. Audit**

All cash management activity is subject to review by the Finance Director and the independent auditor.

**REFERENCES**

[M.G.L. c. 41, § 35](#)

[M.G.L. c. 41, § 57](#)

[M.G.L. c. 60, § 57A](#)

Town of Palmer Reconciliations Policy

Massachusetts Collectors Treasurers Association: [\*Treasurer's Manual\*](#) and [\*Collector's Manual\*](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## TAX ENFORCEMENT

### PURPOSE

To provide guidance for equitably enforcing tax obligations and set expectations for both the Town and taxpayers, this policy clearly defines when and how the Town will transition unpaid property taxes from tax title through to foreclosure. It is in the best interest of the Town of Palmer and its residents that property taxes be paid when due. The Town budget is set in anticipation of the collection of taxes, and taxes not paid by some property owners shift the cost burden onto others. The Town recognizes that individuals may go through periods of financial difficulty, but any taxpayer who becomes delinquent will be encouraged to find alternative resources to pay in full as soon as possible.

### APPLICABILITY

This policy applies to the job duties of the Collector and the Treasurer. It also applies to the Finance Director's responsibilities for overseeing Finance Department operations and managing the department's contract with a tax title attorney. Tax enforcement applies to all of the Town of Palmer's real estate property owners whose taxes are not exempt.

### POLICY

The Town of Palmer intends to timely pursue all legal methods to collect taxes from delinquent property owners with the goal of achieving a target [98 percent] property tax collection rate by fiscal year-end. The Town will also periodically pursue foreclosure actions with the primary objective of receiving all monies due. Any costs for collection accrue against the taxpayer and may add to the property lien. Delinquent taxes represent a lien on property and remain in effect until all taxes, interest, and fees have been paid in full.

#### A. Demands

Final taxes are due to be paid as of May 1st each year (the due date for the fourth quarter tax bill). Fifteen days later, the Collector will issue demand notices to all assessed property owners who have failed to pay in full and who have not been granted full exemptions. Taxpayers are responsible for notifying the Town in writing of any mailing address changes.

#### B. Tax Taking

The Collector will begin the tax taking process within [60 days] of the demand notice. State law allows the process to begin as soon as 15 days after the demand, but, in every case, the Collector must complete the takings within 3½ years from the end of the fiscal year for which the taxes were assessed to secure, or perfect, the tax liens.

The Collector will send at least one enforcement letter to delinquent property owners as a courtesy to potentially avoid a tax taking advertisement. If this does not result in full remittance by [September 1<sup>st</sup>], the Collector will publish a Notice of Tax Taking in a local newspaper and post the notice in two or more convenient, public places. The Town customarily publishes in [name of local newspaper] and posts notices [at the Library and Town Clerk's office and on the Collector's

webpage]. From this point onward only cash, certified check, or cashier's check are acceptable forms of payment.

Within 60 days of the tax taking announcements, the Collector will prepare an Instrument of Taking for each delinquent property at the Registry of Deeds, the recording of which perfects the tax lien. After receiving the recorded Instruments back from the Registry, the Collector will notify the affected property owners of the liens by sending each of them a letter with a photocopy of the Instrument. The Collector will also make a copy of the List of Recorded Takings and provide it to the Treasurer and Finance Director.

#### C. Subsequent Taxes

After the demand bill and before June 15<sup>th</sup> each year, the Collector will certify all unpaid taxes and assessments for parcels of real estate taken into tax title for nonpayment of taxes in prior years and not yet redeemed and put them in a Subsequent Tax Takings list. The Collector will provide copies of the list to the Treasurer and Finance Director and retain one on file.

#### D. Interest, Fees, and License Revocation

All delinquent taxpayers are subject to charges, which are added to their accounts by the Collector. These include interest accrued to the date of taking, advertising fees, certified mailing costs, legal fees, and Instrument of Taking recording fees.

The Collector will provide a listing of all individuals who are delinquent in paying taxes or other charges to the Town departments, boards, and committees that issue licenses and permits. These authorities will review the list to deny, suspend, or revoke delinquent taxpayers' licenses and permits.

#### E. Tax Title Payment Agreements

***This section is subject to the adoption a tax title payment agreement ordinance, [M.G.L. c. 60, § 62A](#).***

*The Treasurer will pursue and establish payment agreements for parcels in tax title to allow delinquents to pay off their tax liens over time. The Treasurer will actively monitor compliance with all payment agreements, which will have the following features in common:*

- *Signed agreement between the Treasurer and taxpayer*
- *Upfront payment of at least 25 percent of full balance owed*
- *Specific amount to be paid each month*
- *Incorporation of payments for the current tax bill*
- *Agreement term not to exceed five years*
- *Statement that defaulting on the agreement will immediately trigger foreclosure action by the Town*

*For taxpayers that fully comply with their payment agreements, the Treasurer will waive [50 percent] of the interest accrued on their tax title accounts.*

#### F. Redemption or Foreclosure

The primary policy goal of the Town's foreclosure process is getting outstanding amounts paid; however, it is also a policy goal to eventually achieve foreclosure on every persistently delinquent property on an annual basis.

The Treasurer will identify all tax title properties older than 180 days that are not subject to a payment plan to initiate foreclosure procedures. The Treasurer is responsible for completing foreclosures for any properties below the "Land of Low Value" threshold annually revised each spring by the Division of Local Services. The Treasurer and Finance Director will thoroughly review all other tax title properties before referring them to the Town's contracted tax title attorney for foreclosure processing in Land Court, beginning with those having the largest dollar value of taxes owed.

As manager of the service contract, the Finance Director will ensure the tax title attorney complies with the objectives laid out in this policy section. The Treasurer will work with the tax title attorney to prepare parcels in tax title status for foreclosure, beginning by providing each Instrument of Taking. The tax title attorney will research the tax title properties and also mail new collection enforcement letters to the taxpayers telling them of the importance of redeeming the property and warning of potential foreclosure action.

If a taxpayer or other party pays the outstanding amount on a tax title property, the Treasurer will prepare an Instrument of Redemption and file it at the Registry of Deeds, which removes the lien. Redemption can only be done prior to the property being foreclosed. If the obligation remains unpaid, the tax title attorney will proceed with foreclosure action in Land Court, possibly resulting in auctioning of the property.

#### REFERENCES

<a href="#">M.G.L. c. 60, § 6</a>	<a href="#">M.G.L. c. 60, § 16</a>	<a href="#">M.G.L. c. 60, § 50</a>	<a href="#">M.G.L. c. 60, § 53</a>
<a href="#">M.G.L. c. 60, § 54</a>	<a href="#">M.G.L. c. 40, § 57</a>	<a href="#">M.G.L. c. 60, § 61</a>	<a href="#">M.G.L. c. 60, § 62</a>
<a href="#">M.G.L. c. 60, § 62A</a>	<a href="#">M.G.L. c. 60, § 63</a>	<a href="#">M.G.L. c. 60, § 76</a>	<a href="#">M.G.L. c. 60, § 77</a>
<a href="#">M.G.L. c. 60, § 79</a>	<a href="#">M.G.L. c. 60, § 80</a>		

Town of Palmer Bylaws, Chapter 106 § 106-1

DLS Best Practice: [Enforcing Collections](#)

DLS Information Guideline Release on Land of Low Value Foreclosure Valuation Limit updated annually and posted to [DLS webpage](#).

DLS Information Guideline Release 05-208: [Payment Agreements and Tax Receivable Assignments](#)

Massachusetts Collectors Treasurers Association: [Treasurer's Manual](#) and [Collector's Manual](#)

**EFFECTIVE DATE**

This policy was adopted on [date].

## TAX RECAPITULATION

### PURPOSE

To ensure the Town timely and appropriately charges taxes to property owners in support of the annual budget, this policy sets forth the roles, responsibilities, and deadlines associated with the tax recapitulation (recap) process. A timely and accurate annual recap helps ensure the Town complies with state statutes, prevents workflow disruptions in its financial offices, and avoids any temporary borrowing costs associated with cash shortfalls.

### APPLICABILITY

This policy applies to the Town Council and Town Manager in their policymaking and management responsibilities and to the Board of Assessors in its role as principal overseer of the recap process. It also applies to the related job duties of the Finance Director, Principal Assessor, Treasurer, and Town Clerk.

### BACKGROUND

The property tax levy is Palmer's largest source of revenue, which therefore makes the recap a vital component of the Town's fiscal operations. The Board of Assessors oversees two core phases: the certification of property values and the setting of the tax rate. However, the full process begins with the Town Council's annual budget appropriations, involves many finance officials, and requires careful management, teamwork, and cooperation.

The tax recap forms and schedules present the Town's annual budget plan for the fiscal year. These documents summarize all appropriations made by Town Council since the previous year's tax rate was set and identify all non-property-tax revenue sources, such as state aid, local receipts, and reserves. The difference between the budgeted appropriations and the revenue from these other sources must be raised through the property levy.

By completing the recap and submitting it to the Division of Local Services (DLS) for approval, the Town establishes its property tax levy and sets the tax rate for the year. The Town may issue actual tax bills only after DLS reviews the recap and approves the tax rate.

### POLICY

The Finance Director will annually complete the tax recap process no later than [November 30]. The Collector will provide the tax bill file to the print vendor by [December 10] and mail the actual tax bills by December 31. The Finance Director will develop a realistic plan and timetable to meet these deadlines and keep the Town Manager apprised of the Finance Department's progress.

#### A. Preparation and Reporting of Town Council Actions

A successful tax recap process requires a balanced annual budget, valid funding sources, and proper Town Council actions. All Town Council appropriations made and borrowings authorized since the previous fiscal year's approved recap must be reported in the new recap.



- For the Town Council's budget meeting, the Town Manager will properly post a request for Town Council action and supply information and documents adequate to allow Councilors to address the financial agenda items and vote on the budget.
- The Town Council will ensure that any annual increase in the tax levy does not exceed the maximum amount allowed under Proposition 2½.
- The Finance Director, Town Manager, and Town Council will verify that the proposed budget is balanced.
- The Town Manager will prepare a schedule of available funds as authorized for appropriation by Town Council.
- The Finance Director, Treasurer, and Town Counsel will ensure any debt issuance authorizations are proper.
- The Town Manager will work with the Town Counsel and Town Clerk to ensure that any general override, debt exclusion, or capital exclusion approved by Town Council is and properly put to a subsequent town-wide referendum.

B. Recording Legislative Action

To allow time for any required corrective measures, the following tasks will be completed within [two weeks] after Town Council votes to approve the annual budget:

- The Town Clerk will certify all appropriations approved since the last tax rate was set.
- The Finance Director will reconcile all votes and authorized amounts.
- The Town Clerk, with the Finance Director's assistance, will enter all appropriation votes (page 4 of the tax rate recap).
- From the certified Town Council authorizations, the Finance Director will complete the following DLS forms:
  - revolving funds (Form A-3)
  - free cash used (Form B-1)
  - available funds used (Form B-2).
- The Treasurer will verify that any reserved amount of bond premium is reported as a funding source (Form B-2).
- The Treasurer will prepare the debt exclusion report, including any use of reserved bond premiums (Form DE-1).

C. Following Fiscal Year-end Closing

Within [two weeks] of closing the books for the fiscal year, the Finance Director will continue completing the recap by:

- Reporting and documenting all deficits or other expenditures that must be funded, including debt and snow and ice (page 2 of the tax rate recap)
- Recording the actual amounts received for each type of local receipt (page 3, column (a) of the tax rate recap)
- Entering the amounts expected to be collected as local receipts using the revenue projections from the final budget approved by Town Council (page 3, column (b) of the tax rate recap)

#### D. Property Value Certification

Assessors must value all taxable real and personal property and must classify all real property into one of four classes (residential, open space, commercial/industrial, or personal) based on their use as of January 1. To do this, the Principal Assessor will:

- Complete the property sales report (Form LA-3) for all sales over \$1,000 and submit it to DLS for approval.
- Analyze market conditions and set final property values in compliance with DLS certification standards.
- Report the total assessed valuation for real and personal property by class (Form LA-4, which is transferred to page 1 of the recap).
- Report fiscal year tax base growth used to determine the levy limit under Proposition 2½ (Form LA-13, which is transferred to the Levy Limit Worksheet).
- Update any prior-year omitted and revised assessments that included growth (Form LA-13A, which is transferred to the Levy Limit Worksheet).

The Principal Assessor will submit the above forms to DLS for review and certification.

#### E. Tax Rate Setting

After DLS has certified property values, the Town Council must hold a public hearing to decide tax policy. At this classification hearing, the Town Council may vote a single tax rate, which thereby allocates the tax levy proportionately across all property classes, or vote to shift the tax burden between the four classes. Leading to this hearing, the following must be completed:

- The Principal Assessor and Finance Director prepare an overlay analysis (Form OL-1).
- The Board of Assessors estimates and votes the amount of overlay to raise.
- The Board of Assessors prepares a financial analysis of the various tax alternatives.
- The Town Council votes on residential, small commercial, and open space exemptions.
- The Town Council acknowledges excess levy capacity (Form LA-5).
- The Town Clerk attests to notice being given to taxpayers regarding the public hearing (Form LA-5).

#### F. Review and Submittal to DLS

The Board of Assessors, working through the Principal Assessor, is responsible for submitting all forms and supporting documents to DLS for tax rate approval.

- The Principal Assessor and Finance Director will review all schedules, verify signatures, and verify that all proper documents are attached.
- The Finance Director will ensure that all budget authorizations are represented and clearly reconcile to the amounts reported in the tax recap schedules.
- The Principal Assessor will submit all forms to DLS.

**G. Tax Commitment Creation**

After DLS notifies the Town that the tax rate has been approved, the Principal Assessor will create a tax commitment list and warrant duly signed by the Assessing Board members and refer it to the Collector to generate the actual tax bills.

**REFERENCES**

DLS Training Publication, [\*New Officials Financial Handbook\*](#)

DLS Training Publication, Assessors Handbook [\*Chapter 5: Setting the Tax Rate\*](#)

Town of Palmer policies on Forecasting, Overlay, and Year-end Closing

**EFFECTIVE DATE**

This policy was adopted on [date].

## YEAR-END CLOSING

### PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the Town's annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the tasks that must be completed, their associated deadlines, and the parties responsible.

### APPLICABILITY

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Manager, Finance Director, and Treasurer. Additionally, it pertains to the Town Council's budget transfer authority.

### POLICY

The Town Manager will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy. In turn, the Finance Director is responsible for overseeing the duties specified here for Finance Department officers.

Annually no later than May 15, the Town Manager will email this policy to all department heads as a reminder of year-end expectations. Subsequently, the Finance Director will coordinate the various components of year-end tasks under the time frames and procedures outlined below. All facets of the Town's year-end closing detailed here will be accomplished no later than October 31 each year.

#### A. Year-end Review of Grant Balances and Other Special Appropriations

By May 15, the Finance Director will distribute management reports of all special appropriation accounts to the responsible department heads to solicit status updates on them. Each department head will notify the Finance Director in writing of any completed project or purpose with an unexpended balance so that he may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Finance Director in writing, provide funding source(s), and state when it will be resolved so that the Finance Director can plan for closing the account.

The Finance Director will carefully review any special appropriation account remaining active in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

#### B. Year-end Encumbrances

By June 1, the Finance Director will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from the fiscal

year. With proper documentation, the Finance Director will only encumber funds that have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) as of June 30.

C. Capital Project Reviews, Capital Asset Updates, and Borrowings

As of May 1, the Finance Director will ensure that any internal borrowings done during the year have been covered through short- or long-term debt issuances and review all capital project accounts to anticipate potential shortfalls. For any identified deficits:

- If debt had been authorized, the Finance Director will direct the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Finance Director will refer the shortfall to the Town Manager to submit for a Town Council debt authorization, line-item transfer (see section D below), or appropriation from available funds.

By June 15, the Finance Director will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1, each department head with capital assets will respond by forwarding to the Finance Director an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Finance Director will update the Town's capital asset inventory based on the returned information.

D. Year-end Transfers

The Town Manager, in consultation with the Finance Director, will pay close attention to any appropriation deficits that may be rectified through line-item transfers. The Town Manager will put any necessary transfer request on the Town Council's meeting agenda(s) for its authorization by majority vote no earlier than May 1 and no later than July 15.

E. Closing the Books

No later than August 31, the Finance Director will do the following to close the books:

- Conduct a reconciliation of each fund type in turn, including transfers between funds, and when completed, close each fund in Munis.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the following time frames:

- The Finance Director will submit the combined balance sheet and supporting documents by August 31.

- The Treasurer will submit the statement of indebtedness by August 31.
- The Finance Director will submit the Schedule A by October 31.

**REFERENCES**

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 64, § 64](#)

[M.G.L. c. 59, § 5](#)

Town of Palmer policies on Tax Enforcement, Grants Management, and Reconciliations

Town of Palmer's Municipal Calendar

Governmental Accounting Standards Board Statement 1: [Objectives of Financial Reporting](#)

Government Finance Officers Association Guidance: [Timely Financial Reporting](#)

**EFFECTIVE DATE**

The policy was adopted on [date].

# **APPENDIX**





## POLICY ADOPTION AND REVISION LOG

As part of the annual budget process, financial officers and other personnel cited in each policy's Applicability section will review the policy to ensure it is current. When any policy needs to be updated, the Town Manager will draft proposed edits in consultation with the Finance Director and other responsible parties. Revised policies will then be submitted to the Town Council for adoption. The Town Manager will maintain an official record of the annual reviews and revision dates in the log below. Current policies will be available in the Town Manager's office.

Policy	Adopted	Last Reviewed	Amended
Antifraud	XX/XX/XXXX	XX/XX/XXXX	XX/XX/XXXX
Capital Planning			
Debt Management			
Financial Reserves			
Forecasting			
Grant Management			
Investments			
OPEB Liability			
Overlay			
Procurement Conflict of Interest			
Reconciliations			
Revenue Turnover			
Tax Enforcement			
Tax Rate Recapitulation			
Year-end Closing			



**MASSACHUSETTS COLLECTORS AND TREASURERS ASSOCIATION'S  
ANNUAL SCHOOL HANDOUT, COURSE 202**

**MASSACHUSETTS COLLECTORS  
& TREASURERS ASSOCIATION**

*46th Annual School – August 16, 2016*

---

**INVESTMENT POLICY STATEMENTS**

---

TOWN OF \_\_\_\_\_  
INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (IPS) is to provide a clear understanding between the Town/City of \_\_\_\_\_ (Client) and \_\_\_\_\_ (Investment Manager/Advisor) regarding the objectives, goals, risk tolerance, and investment guidelines established for the investment of town/city funds. The secondary purpose is to describe for the Office of Treasurer & Collector of Taxes, the public and staff the underlying logic and philosophy supporting this Statement.

I. The Investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds

A. Scope

This section of the IPS applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, bond proceeds and capital project funds. Section two will deal with trust funds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

B. Investment Instruments

Note: Public investments in Massachusetts are not protected through provisions in State law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity resulting in a lower interest rate. The Treasurer negotiates for the highest rates possible, consistent with safety principles.

The Treasurer may invest in the following instruments:

- Massachusetts State pooled fund: Unlimited amounts (Pool is liquid) The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CD's up to the standard limits and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB m), it is not considered an uncollateralized product.
- U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one year maturity from date of purchase)
- U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one year maturity from date of purchase)
- Bank accounts or Certificates of Deposit ("CDs") (Up to one year) which are fully collateralized through a third party agreement: Unlimited Amounts
- Bank accounts and CDs (Up to one year) insured by F.D.I.C. up to the coverage limit. All bank accounts and CDs in one institution are considered in the aggregate for the

- insurance coverage limit. In some cases Banking Institutions carry additional insurance. Depository Insurance Fund (D.I.F.): Contact banking representative for amounts of coverage.
- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: No more than 5% of an institution's assets and no more than 25% of a municipality's cash may be comprised of unsecured bank deposits. This percentage maybe increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Town in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.
  - Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 Section 55.

#### C. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities, as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 10% of the Community's investments shall be invested in a single financial institution.

#### D. Authorization

The Treasurer has authority to invest entity funds, subject to the statutes of the Commonwealth Massachusetts General Law Chapter 44 Section 55, 55A, & 55B.

#### E. Restrictions

Chapter 44, Section 55 set forth several restrictions that the Treasurer must be aware of when making investment selections.

- A Treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60% of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.
- The treasurer shall not make a deposit in any bank, trust company or banking company with which he is, or for any time during the three years immediately preceding the date of any such deposit was, associated as an officer or employee.
- All securities shall have a maturity from date of purchase of one year or less.
- Purchases under an agreement with a trust company, national bank or Banking Company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

## F. Legal References

Massachusetts General Law Chapter 44, Section 55  
Massachusetts General Law Chapter 44, Section 55A  
Massachusetts General Law Chapter 44; Section 55B

## II. The Investment of Long Term Funds

### A. Scope

This section of the IPS applies only to funds that are designated as long term, i.e. trust funds, stabilization funds, cemetery perpetual care, community preservation act and other funds the town may have set aside for long term use.

All accounts will be maintained separately receiving their proportionate interest and any realized and unrealized gains or losses. The account will be established as a pooled investment portfolio unless otherwise stated. Any additional accounts will be maintained in this same manner.

### B. Authority

Massachusetts General Law Chapter 44, section 54 pertains to the investment of Trust Funds. All trust funds shall fall under the control of the entity's Treasurer unless otherwise provided or directed by the donor.

### C. Investment Instruments

M.G.L. Chapter 44 section 54 states that money should be deposited into savings bank, trust companies incorporated under the laws of the Commonwealth, banking companies incorporated under the laws of the Commonwealth which are members of the Federal Deposit Insurance Corporation, or national banks, or invested in participation units in a combined investment fund under section thirty-eight A of chapter twenty-nine, or in a paid-up shares and accounts of and in co-operative banks, or in shares of savings and loan associations or in share or savings deposits of federal savings and loan associations doing business in the commonwealth.

Additionally the Community may invest such funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided, that not more than fifteen percent (15%) of any such trust funds shall be invested in bank stocks and insurance company stocks, nor shall more than one and one-half percent (1 ½%) of such funds be invested in the stock of any one bank or insurance company.

The Treasurer may invest in the following instruments:

- U. S. Treasuries that maybe sold prior to maturity: Unlimited amounts (With no limit to the length of maturity from date of purchase)
- U.S. Agency obligations that maybe sold prior to maturity. Unlimited amounts (With no limit to the length of maturity from date of purchase)

- Bank accounts or Certificates of Deposit ("CDs") Unlimited amounts (With no limit to the length of maturity from date of purchase), which is fully collateralized through a third party agreement:
- Bank accounts and CDs (With no limit to the length of maturity from date of purchase) fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.): All bank accounts and CDs in one institution are considered in the aggregate to receive the insurance coverage limit.
- Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 25% of a municipality's cash. This percentage may increase for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the Community in the near future. These payments may be for such items as debt service payment or regional school assessments. Their creditworthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased with no limit to the length of maturity from the date of purchase and will be reviewed frequently.
- Common and preferred stock that are listed in the List of Legal Investments.
- Investment Funds that are listed in the List of Legal Investments.
- All other items not separately identified here that are listed in the List of Legal Investments.

#### D. Standards of Care

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

#### E. Diversification

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against overconcentration of maturities, as well as concentration in a specific institution, with the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies.

#### F. Legal References

Massachusetts General Law Chapter 44, Section 54  
Massachusetts General Law Chapter 44, Section 55A

### Massachusetts General Law Chapter 44, Section 55B

Trust Funds may be comingled and invested in any instruments allowed by the Commonwealth of Massachusetts list of Legal Investments Legal issued by the Banking Commissioner each July. Each trust fund must be accounted for separately. Chapter 44 Section 54 sets forth that Treasurers may invest in instruments that are legal for savings banks. This list of investments is included in the Commonwealth of Massachusetts List of Legal Investments, Chapter 167 Section 15A.

### III. General Provisions

#### A. Objective

Massachusetts General Laws, Chapter 44, section 55B requires the Entity's Treasurer to invest all public funds except those required to be kept uninvested for purposes of immediate distribution.

This section also requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking into account the acceptable levels of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest reasonable return available that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to preserve capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments, and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- Liquidity is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall attempt to carry out investment activities in a manner that provides for meeting unusual or unexpected cash demands without requiring the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.
- Yield is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return^ taking into account safety and liquidity constraints as well as all legal requirements.

#### B. Risk Tolerance

- Credit Risk

"Credit risk" is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Community will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations. In regards to other investments, the Community will only purchase investment grade securities with a high concentration in securities rated A or better. The Community may invest in the Massachusetts



Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund. The Community may place funds in banking institutions as stated in Section C of this IPS.

- Custodial Risk

The "custodial credit risk" for deposits is the risk that, in the event of the failure of a depository financial institution, a municipality will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The Community will review the financial institution's financial statements and the background of the Advisor. The intent of this qualification is to limit the Community's exposure to only those institutions with a proven financial strength. Capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the Community, will be held in the Community's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

- Concentration of Credit Risk

"Concentration of credit risk" is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Community will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

- Interest Rate Risk

"Interest rate risk" is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Community will manage interest rate risk by managing duration in the account.

- Foreign Currency Risk

"Foreign currency risk" is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit.

The Community will limit investment in any instrument exposed to foreign currency risk.

## C. Ethics

The Treasurer (and Assistant Treasurer) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Chief Executive

Officer any material financial interest in financial institutions that do business with the Community. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the Community's investments.

#### D. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. The Community subscribes to the Veribanc Rating Service to evaluate the banking institutions with which it chooses to establish relationships. Brokers should be recognized, reputable dealers and members of the Financial Industry Regulatory Authority (FINRA).

In instances where the Community does not purchase the Veribanc Rating Service, the Treasurer should request the banking institution's Veribanc rating from all of the banking institutions that are working with the Community on a quarterly basis.

When using the Veribanc Rating Service the Treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow the Treasurer should contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected timetable for it to be changed to green. If for a second quarter such rating is not green, the Treasurer should consider removing all funds that are not collateralized, or carries some form of depositors insurance. If a rating moves to red all money should be immediately collateralized or covered by some form of depositors insurance or be removed from the banking institution.

The Treasurer shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the Treasurer on an annual basis:

- Financial statements
- If acting as a Registered Investment Advisor, copy of their most recent Form ADV
- A statement that the Advisor has read the municipality's IPS and will comply with it on an annual basis

#### E. Reporting Requirements

On a quarterly basis, a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Manager, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

# MUNICIPAL CALENDAR

## Abbreviations Defined

---

<b>DLS</b>	Division of Local Services
<b>BLA</b>	DLS Bureau of Local Assessment
<b>BOA</b>	DLS Bureau of Accounts
<b>MDM</b>	DLS Municipal Data Management
<b>ATB</b>	Appellate Tax Board
<b>DESE</b>	Department of Elementary and Secondary Education
<b>EQV</b>	Equalized Valuation
<b>NSS</b>	Net School Spending
<b>SOL</b>	State-owned Land

## July

---

1	Assessors	<b>Real Estate Tax Exemption Eligibility Date</b> Assessors determine eligibility as of this date for real estate tax exemptions under <a href="#">M.G.L. c. 59, § 5</a> based on taxpayer applications received. [Refer to April 1 in this calendar.]
1	Collector	<b>Mail Annual Preliminary Tax Bills</b> Palmer issues first and second quarter bills in one mailing.
15	Finance Director	<b>Initiate Year-end General Ledger Account Reconciliations</b>
15	Pipeline Company	<b>Deadline for Appealing Commissioner's Pipeline Company Valuations to the ATB</b>
15	Telephone and Telegraph Company	<b>Deadline for Appealing Commissioner's Telephone and Telegraph Company Valuations to the ATB</b>
20	BLA	<b>Notification of Changes in Proposed EQVs (even-numbered years only)</b>

## August

---

1	Taxpayer	<b>Deadline for Paying 1st Quarterly Tax Bill</b> Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 1st quarter preliminary tax payment without interest for bills that were mailed by July 1. If the bills were mailed between July 2 and August 1, this payment is due 30 days after the mailing date, and the 2nd quarterly payment is due November 1. If the bills were mailed after August 1, the preliminary tax is due as a single installment on November 1 or 30 days after the bills were mailed, whichever is later.
1	Taxpayer	<b>Deadline for Submitting Annual Boat Excise Return</b>

- |    |                  |  |
|----|------------------|--|
| 10 | Assessors        | <b>Deadline for Appealing EQVs to the ATB (even-numbered years only)</b>   |
| 31 | Finance Director | <b>Submit Balance Sheet for Free Cash Certification</b><br>The Finance Director submits the year-end balance sheet and supplemental documentation to BOA for certification of free cash. |

## September

---

- |    |   |   |
|----|---|---|
| 15 | Assessors   | <b>Submit Property Sales Report (recommended date)</b><br>Assessors use the Property Sales Report (LA-3) to conduct assessment/sales ratio studies and to satisfy the requirement to report all property sales over \$1,000 to BLA.   |
| 30 | Finance Director,<br>Superintendent and<br>School Committee | <b>Jointly Submit End of Year Report to DESE</b><br>DESE uses this report to determine the community's compliance with prior-year and current-year NSS requirements.  |
| 30 | Finance Director  | <b>Submit Snow and Ice Report</b><br>The Finance Director submits to BOA this statement of prior-year snow and ice expenditures and financing sources. It is used to support a deficit in the previous fiscal year's snow and ice removal account, the total or a portion of which is funded without appropriation and reported on the following fiscal year's recap. |
| 30 | Treasurer   | <b>Submit Statement of Indebtedness</b><br>Under <a href="#">M.G.L. c. 44, § 28</a> , BOA requires the Treasurer to submit this report of the community's debt obligations. Prior to filing the statement, the Treasurer should conduct a reconciliation with the Finance Director to ensure the debt data agrees with the balance sheet.                             |

## October

---

- |    |                                   |   |
|----|-----------------------------------|---|
| 1  | Taxpayer                          | <b>Deadline for Applying to Have Land Classified as Agricultural/Horticultural Land or Recreational Land</b><br>Under <a href="#">M.G.L. c. 61A, §§ 6 and 8</a> and <a href="#">c. 61B, §§ 3 and 5</a> , this is the deadline to apply to the Assessors to have land valued, taxed, and classified as agricultural/horticultural or recreational land in the next fiscal year. Taxpayers who miss this deadline have until 30 days after the mailing of the actual tax bills to apply to the Assessors. |
| 1  | Taxpayer                          | <b>Deadline for Submitting Forest Land Certification and Management Plan</b><br>As set by <a href="#">M.G.L. c. 61, § 2</a> , this is the deadline to submit to the Assessors the State Forester's certification and approved management plan to have land classified as forest land for 10 years beginning in the next fiscal year.  |
| 15 | Assessors and<br>Finance Director | <b>Begin Working on the Tax Rate Recapitulation Sheet (the tax recap)</b><br>Assessors in communities that issue quarterly or annual semiannual preliminary tax bills should begin gathering data for the following tax recap   |

pages in order to have enough time for the tax rate to be set and actual tax bills mailed by December 31:

- Page 1 - Tax Rate Summary
- Page 2 - Section II: Amounts to be Raised and Section III: Estimated Receipts and Other Revenue Sources
- Page 3 - Local Receipts Not Allocated
- Page 4 - Certification of Appropriations and Source of Funding

15 Assessors

**Submit New Growth, Amended Tax Base Levy Growth, and Final Valuations Reports to BLA (recommended date)**

## November

---

1 Taxpayer

**Quarterly Tax Bills - Deadline for Paying 2nd Quarter Tax Bill**

Per [M.G.L. c. 59, § 57C](#), this is the deadline to pay the 2nd quarter tax payment without interest.

1 Town Council and Assessors

**Hold Classification Hearing (recommended date)**

The Town Council holds a public hearing at which the Assessors present information to assist it in determining whether to apply uniform or different tax rates to the various classes of real and personal property.

30 Finance Director

**Deadline to Submit Schedule A**

Schedule A reports the community's revenues received, expenditures made, and all other financial transactions done in the previous fiscal year. Failure to file Schedule A to BOA by November 30 may result in the withholding or forfeiture of state aid.

30 Assessors

**Submit Tax Recap and all Schedules to BOA**

## December

---

31 Water/Sewer Commissioners

**Deadline for Betterments to be included on Next Year's Tax Bill ([M.G.L. c. 80, § 13](#); [c. 40, § 42I](#) and [c. 83, § 27](#))**

31 Assessors

**Mail 3ABC Forms to Charitable Organizations and Forms of List to Personal Property Owners**

31 Collector

**Deadline for Mailing Actual Tax Bills**

Palmer issues the third and fourth quarter bills in one mailing.

## January

---

1 Assessors

**Property Tax Assessment Date**

This is the effective date for valuation and assessment of all property for the following fiscal year.

31 DESE

**Notify Communities and Districts of Estimated NSS Requirements**

As soon as the Governor releases the ensuing year's budget, DESE notifies

communities and districts of that next year's NSS estimates, which are subject to change once the final state budget is approved.

31 Pipeline Company **Deadline for Pipeline Company to File Form of List with BLA**

## February

---

- |            |  |
|------------|--|
| 1 Taxpayer | <b>Deadline to Pay 3<sup>rd</sup> Quarter Tax Bill</b><br>Per <a href="#">M.G.L. c. 59, § 57C</a> , this is the deadline to pay the 3rd quarter actual tax bill without interest unless the bills were mailed after December 31. If mailed after December 31, the actual tax is due as a single installment on May 1 or 30 days after the bills were mailed, whichever is later. |
| 1 Taxpayer | <b>Quarterly Tax Bills – Deadline to Apply for Property Tax Abatement</b><br>According to <a href="#">M.G.L. c. 59, § 59</a> , abatements applications are due on February 1 unless actual tax bills were mailed after December 31. In that case, they are due May 1 or 30 days after mailing, whichever is later.   |

## March

---

- |                                   |  |
|-----------------------------------|--|
| 1 MDM                             | <b>Notification of Cherry Sheet Estimates for the Following Year (pending action taken by the Legislature)</b><br>The cherry sheet is an estimate of 1) receipts: local reimbursement and assistance programs as authorized by law and appropriated by the General Court and 2) assessments: state and county assessments and charges to local governments. MDM posts cherry sheet estimates on the DLS website and updates them at every stage of the state budget process. |
| 1 Personal Property Owner         | <b>Submit Form of List to Assessors</b><br>This return is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date abatement applications are due.   |
| 1 Charitable Organization         | <b>Submit 3ABC Forms</b><br>To be eligible for exemption from taxation for the next fiscal year, a charitable organization must file this form with the Assessors detailing the property held for charitable purposes. It is due on or before March 1, but the Assessors may extend the deadline to a date no later than the date that abatement applications are due.   |
| 1 Telephone and Telegraph Company | <b>Deadline for Telephone and Telegraph Company to File Form of List</b><br>BLA may extend the deadline to a date no later than April 1.   |

## April

---

- |            |   |
|------------|---|
| 1 Taxpayer | <b>Deadline to Apply for Property Tax Exemptions for Persons, Residential Exemptions, and Small Commercial Exemptions</b><br>This is the deadline to apply to the assessors if actual tax bills are mailed on or before January 1. If mailed after January 1, taxpayers have 3 months from the mailing date to file exemption applications. |
|------------|---|

## May

---

- |   |                               |   |
|---|-------------------------------|---|
| 1 | Taxpayer                      | <b>Deadline to 4<sup>th</sup> Quarter Tax Bill without Interest</b>   |
| 1 | Finance Director or Treasurer | <b>Notification of Amount of Debt Due in Next Fiscal Year</b><br>As required by <a href="#">M.G.L. c. 44, § 16</a> , the Finance Director or Treasurer must notify the Assessors of all debt due in the next fiscal year. The community is required to pay its debts, appropriated or not. Any debt service not covered by appropriations is added to the "Other Local Expenditures" category found on page 2 of the recap. It is important the Assessors have this information to avoid setting a tax rate that will raise insufficient revenue to cover the community's expenditures. |

## June

---

- |    |            |   |
|----|------------|---|
| 1  | Town Clerk | <b>Certify Appropriations</b><br>The Town Clerk should certify appropriations immediately after Town Council's votes so that the Finance Director can set up accounts for every department for the next fiscal year.  |
| 1  | Town Clerk | <b>Update the Local Officials Directory (LOD) in Gateway</b><br>The Town Clerk annually updates the LOD with the names and email addresses of any new local officials and with any changes to position titles.  |
| 1  | Assessors  | <b>Determine Valuation of Other Municipal or District Land</b><br>In any community where land is owned by another community or district, the Assessors value the land for in-lieu-of-tax payments and send a notice of the new valuation in the year following a revaluation year.  |
| 1  | BLA        | <b>Notification of Proposed EQVs (even-numbered years only)</b>   |
| 1  | BLA        | <b>Notification of SOL Valuations (even-numbered years only)</b>  |
| 10 | BLA        | <b>Conclude Public Hearings on Proposed EQVs (even-numbered years only)</b>   |
| 15 | BLA        | <b>Determine and Certify Pipeline Valuations</b>  |
| 15 | BLA        | <b>Determine and Certify Telephone and Telegraph Company Valuations</b>   |
| 15 | Assessors  | <b>Make Annual Preliminary Tax Commitment</b><br>The Assessors should make the annual preliminary tax commitment by this date to ensure the ability to mail the bills by July 1 <sup>st</sup> . The commitment must be based on the prior year's net tax on the property and may not exceed, with limited exceptions, 50% of that amount. |
| 20 | Assessors  | <b>Final Date to Make Omitted or Revised Assessments</b><br>As required by <a href="#">M.G.L. c. 59, §§ 75</a> and <a href="#">76</a> , if a property was inadvertently excluded or mistakenly underassessed on the warrant for property taxes, it  |

is the Assessor's role to fix the mistake and assess the property correctly. The assessment may not be made later than June 20 of the taxable year or 90 days after the date the tax bills are mailed, whichever is later.

30 Assessors

**Close Overlay Surplus to Surplus Revenue**

The Assessors may certify any balance in the overlay account in excess of the remaining amount of the warrant to be collected or abated. The transfer to overlay surplus account is done on the Assessors' initiative or within 10 days of a written request by the Town Council.

30 Taxpayer

**Deadline to Apply to Have Land Classified as Forest Land**

Per [M.G.L. c. 61, § 2](#), this is the deadline to apply to the State Forester to have land certified as forest land.

30 Assessors

**Submit Annual Report of Omitted or Revised Assessments to BLA**

30 Assessors

**Deadline to Submit Requests for Current Fiscal Year Reimbursements of Exemptions Granted Under the Various Clauses of [M.G.L. c. 59, § 5](#)**

Assessors have until this date to submit a request to MDM for state reimbursement to offset the tax revenue lost from granted statutory exemptions. The state partially reimburses for these via the cherry sheet. If actual tax bills were mailed late, the reimbursement request deadline is extended to August 20.

## Additional Information

---

**Local Aid Distributions**

The State Treasurer's office distributes local aid to communities on the last calendar day of every month. The monthly distribution breakdown by community can be viewed on the Treasurer's [website](#) by clicking on the local aid payments report listed under News and Updates.

**Due Date Exceptions**

According to [M.G.L. c. 4, § 9](#), if the date for any statutory action or payment falls on a Sunday or legal holiday, that action may be performed or payment made on the next succeeding business day. This rule also applies to any actions required by or payments due on a Saturday in communities that accepted [M.G.L. c. 41, § 110A](#) permitting public offices to remain closed on that day.

The due dates for any local property tax payment, abatement application, or exemption application are also extended by [M.G.L. c. 59, §§ 57, 57C](#), and [59](#) when municipal offices are closed due to a weather-related or other public safety emergency.